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STANDING COMMITTEE ON PUBLIC ACCOUNTS

ORGANIZATION

THURSDAY, 11 MAY 1989



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Philip, Ed (Etobicoke-Rexdale NDP)

VICE-CHAIRMAN: Pouliot, Gilles (Lake Nipigon NDP)

Adams, Peter (Peterborough L)

Ballinger, William G. (Durham-York L)

Charlton, Brian A. (Hamilton Mountain NDP)

Collins, Shirley (Wentworth East L)

Cousens, W. Donald (Markham PC)

Fawcett, Joan M. (Northumberland L)

Nicholas, Cindy (Scarborough Centre L)

Nixon, J. Bradford (York Mills L)

Villeneuve, Noble (Stormont, Dundas and Glengarry PC)

Substitutions:

Marland, Margaret (Mississauga South PC) for Mr Cousens

Martel, Shelley (Sudbury East NDP) for Mr Charlton

Clerk: Arnott, Douglas

Staff:

McLellan, Ray, Research Officer, Legislative Research Service

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, 11 May 1989

The committee met at 1018 in room 151.

ORGANIZATION

Clerk of the Committee: Honourable members, it is my duty to call upon you to elect a chairman. Are there any nominations?

Ms Collins: I would like to nominate Ed Philip.

Clerk of the Committee: Are there any further nominations? There being no further nominations, I declare Mr Philip elected chairman of the standing committee on public accounts.

The Chairman: I was waiting for Ms Collins to give a detailed speech as to why she was nominating me, but I will dispense with that, I guess.

I must say that I am pleased to see so many of the same members who have worked so well together back on this committee for this new session of the Legislature. The reason this committee has been so successful and, with all due modesty, is seen as the best in the country, is that the government members have not used it to try to be overly defensive of the government, and the opposition members have not used the committee to throw mud at the government. I hope the kind of co-operation we have had from all members will continue, because that is what makes this committee so effective and protects the public purse, which is the job we are about.

It gives me great pleasure now to call for the election of a vice-chairman. Miss Martel, do you have a nomination?

Miss Martel: No. I have the motion for the subcommittee. Hang on. Which one do you want me to do? I can do it without that.

The Chairman: Would someone nominate the vice-chairman?

Miss Nicholas: I would be pleased to nominate Mr Pouliot.

The Chairman: Mr Pouliot has been nominated. Are there any other nominations? Hearing no further nominations, I declare Mr Pouliot elected vice-chairman of the standing committee on public accounts.

We now have the business of establishing a subcommittee.

Miss Martel moves that a business subcommittee be established, comprising the following members: Mr Philip, chairman; Ms Collins; Mr Pouliot; and Mr Villeneuve; and that the said subcommittee meet from time to time at the call of the chair to consider and report to the committee on the business of the committee; that the subcommittee's powers include the power to schedule business, to call witnesses, and to review certain documents at the request of the chairman; that the subcommittee must present its reports to the full committee for adoption; that substitution be permitted on the subcommittee; and that the presence of all members of the subcommittee is necessary to constitute a meeting.

Motion agreed to.

The Chairman: Another item of business: I would like to read to you a letter which I have written and, with your approval, will be sending. It is to the Honourable Winston Baker, MHA, President of Treasury Board, Parliament Buildings, St John's, Newfoundland.

"Dear Mr Baker:"—that will be scratched off and say, "Dear Winston:"

"I am writing on behalf of the Ontario standing committee on public accounts. At its meeting on Thursday, 11 May 1989, the committee requested, on a unanimous vote, that I write to offer you our congratulations on your appointment as President of the Treasury Board of Newfoundland. With your wealth of experience in public accounts, and having chaired the public accounts committee of Newfoundland, where you developed high standards for scrutiny of government expenditure, you will bring to your cabinet post a true and exacting concern for value for money.

"We look forward to hearing of the innovations you will promote and wish you all the best.

"Yours truly, Ed Philip, chairman, standing committee on public accounts for Ontario."

Winston was the chairman of the public accounts committee for Newfoundland. He has been one of the four people who, with myself, have been drafting standards across the country. He has been very concerned about public accounts affairs. Of course, now that there has been a change of government in Newfoundland, the Premier made a wise choice, I would say, in making him the equivalent of our Chairman of Management Board by appointing him to the cabinet Treasury post. I thought it would be appropriate for us all unanimously to congratulate him, since chairmen of public accounts do go on to certain other posts at times.

Mr Adams: There is hope yet, Mr Chairman.

The Chairman: Shall the letter be sent?

Agreed to.

The Chairman: The subcommittee will be meeting afterwards, I hope. We have about half an hour before the standing committee on the Ombudsman meets, but are there other matters?

Mr Villeneuve: Just on a point of order: Can a Premier be a Premier without a seat in Newfoundland?

Mr Pouliot: He would be the leader of the party.

Mr J. B. Nixon: Are you asking for a ruling?

The Chairman: I do not know, but I think Mr Getty just discovered that there are ways around it.

Mr Villeneuve: I guess at the present time he is the leader of the party.

The Chairman: Yes, but my letter does not say anything about the Premier.

Mr Villeneuve: It does not say "Premier"? Oh, I am sorry.

The Chairman: It says "on your appointment," I think.

Mr Adams: I think the short answer, anyway, to your hypothetical question is yes, is it not?

The Chairman: We will ask our researcher to look into that for you, Mr Villeneuve. Other business?

Mrs Marland: I have a motion which I would like to place before this committee, and I have copies for all members.

The Chairman: Okay. In this committee the rules are that a member may present a motion, and unless it is a procedural motion, it will be voted on at the next meeting. There is no debate on the motion, but the presenter will be allowed a short time to explain why he or she is moving such a motion so that the members may consider it during the time between the sittings.

Mrs Marland moves that the public accounts committee request that Raj Anand, the chief commissioner of the Ontario Human Rights Commission, appear before the standing committee on public accounts at his earliest convenience to explain the hiring policies and practices of the commission in general and the circumstances of recent hiring for senior management positions in particular and that the public auditor be requested to investigate the hiring policies and practices of the Ontario Human Rights Commission, giving particular regard to the establishment of salary ranges, criteria for establishing new positions, the practices of advertising for positions, how positions are classified as being open or restricted, what travel expenses are covered by the commission for potential candidates and what relocation and other expenses are covered by the commission for successful applicants and any other matters which might be uncovered during the course of the investigation.

Mrs Marland: May I give an explanation of my motion now?

The Chairman: Yes.

Mrs Marland: As the members of the committee who have been in the question periods this week will know, on Tuesday I did ask the Minister of Citizenship (Mr Phillips) if he might agree to having this kind of referral of the Ontario Human Rights Commission to the standing committee on public accounts. I would like to read the response of the minister into the record which, in fact, would be supportive of this motion.

The minister said on Tuesday, 9 May 1989, in question period: "The chief commissioner—and, incidentally, an individual whom, when his appointment was announced, I think all three parties strongly supported, because of his exceptional record in this area—has made it known on many occasions that he would be happy, indeed he would welcome an opportunity, to meet with the appropriate committee of the Legislature to review what is happening at the commission, to review its priorities, to review its plans. He has made this point in the past. I am sure the chief commissioner, if the appropriate committee of the Legislature wanted to have him appear before the committee, to review what is going on at the commission, review its priorities and policies, would welcome that opportunity, as he has in the past."

That is the end of my quotation of the Minister of Citizenship's response to my question. I feel that although there has been some suggestion

that the public accounts committee is perhaps not the appropriate committee in which to place this motion—it has been suggested to me that perhaps the standing committee on the Ombudsman might be an alternative committee—we feel very strongly in the Progressive Conservative caucus that because this matter does have very important reflections with the Ontario Human Rights Commission, involving finance and financial management of the commission in terms of their hiring policies and salaries and the other details that are outlined in my motion, this indeed is the appropriate committee.

I hope that with the concern that is in the community today by the minority groups in the province and those people who speak for those groups in the Metropolitan Toronto area, we can have this appearance of the chief commissioner of the Ontario Human Rights Commission before this committee so that if there is no need for the public of Ontario to be concerned, that will be established by it being fully opened and fully discussed.

The Chairman: We are not in position to debate this this week. We have given Mrs Marland an opportunity to explain what she wants us to consider. I do have a question, though, just for clarification. That is one of the order of events as seen in your motion.

It is my understanding that you would require Mr Anand and his staff to appear before the committee and that after such hearings, then and only then would the Provincial Auditor be asked to do his study into the items you have listed. Or do you see it in reverse? Does the auditor go in first and do his study and then the public accounts committee calls, which is the order which is frequently done by this committee, or is it the reverse, the order in which you have it in the motion?

1030

Mrs Marland: I think the order is the order which I have in the motion.

The Chairman: Fine. Is there anything else in terms of clarification, not debate?

Mr Pouliot: I will not get into the tone. I am torn. At first, spontaneously, I thought perhaps it would best be under the mandate of the standing committee on the Ombudsman, but as I read the motion—I do not want to debate this, but I think this committee could expeditiously deal with Mrs Marland's motion.

The Chairman: I think we are getting into the merits of the motion and I do not want debate on this one way or the other.

Mr J. B. Nixon: I have a point.

The Chairman: If it is a matter of information—

Mr J. B. Nixon: It is a matter of pure information. I would like to provide the information, if I may.

The Chairman: Sure.

Mr J. B. Nixon: Mr Chairman, you may be aware that the subject of the Ontario Human Rights Commission and various consultants' reports which were prepared for the human rights commission is on the agenda of the standing

committee on government agencies, of which Mrs Marland is the vice-chairman. It is on the agenda to be dealt with in this forthcoming session.

The Chairman: I was not aware of that. I did ask one of the members and provided him with a copy of the report. It had been dealt with, and one of the recommendations of that committee was that it be looked at again. My understanding was that they did not deal with that report at their first meeting yesterday; but your understanding is that they are intending to deal with the report?

Mr J. B. Nixon: My understanding, from reviewing the agenda that we had before us, is that a subcommittee of that standing committee will meet in the very near future to set its agenda, and one of the matters that will be dealt with is the human rights commission.

Mrs Marland: May I respond to that information?

The Chairman: Yes, Mrs Marland.

Mr J. B. Nixon: It is only information I have given. I do not know what you can respond to.

Mrs Marland: With respect, if we are sharing information it is fair to do that. I would like to share with the committee the fact that the Ontario Human Rights Commission is indeed one of the agencies that the committee of which I am chairman is going to be reviewing. However, there is no guarantee as to the timing of that. The purpose of my bringing this motion to your committee is that we feel there is an urgency with this matter and we want it dealt with on a priority basis by this committee.

The Chairman: Thank you. This motion will be debated—

Mr J. B. Nixon: For the record, Mrs Marland is not chairman of the standing committee. She is vice-chairman of the standing committee on government agencies.

Mrs Marland: I said vice-chairman. Are you ever picky, Brad. I said vice-chairman and Hansard will show that.

Mr J. B. Nixon: If I am picky, you are prissy.

The Chairman: I do not think that this kind of thing is very constructive. Are there any other matters before the committee?

Ms Collins: Could I just, for information, say that I understand that the three House leaders will be discussing this and trying to come to a consensus on which committee the item will be going to; so perhaps by the next meeting it will not be necessary to deal with it.

The Chairman: Thank you. Are there any other matters before the committee? There being no further matters before the committee, we stand adjourned until 10 o'clock next Thursday. I would ask the subcommittee to stay, because I would like to look at a possible agenda, budget and at other matters in the next 25 minutes.

The committee adjourned at 1035.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

ORGANIZATION

ONTARIO HUMAN RIGHTS COMMISSION

THURSDAY, 18 MAY 1989

STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Philip, Ed (Etobicoke-Rexdale NDP)

VICE-CHAIRMAN: Pouliot, Gilles (Lake Nipigon NDP)

Adams, Peter (Peterborough L)

Ballinger, William G. (Durham-York L)

Charlton, Brian A. (Hamilton Mountain NDP)

Collins, Shirley (Wentworth East L)

Cousens, W. Donald (Markham PC)

Fawcett, Joan M. (Northumberland L)

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Villeneuve, Noble (Stormont, Dundas and Glengarry PC)

Substitutions:

Marland, Margaret (Mississauga South PC) for Mr Cousens

Martel, Shelley (Sudbury East NDP) for Mr Pouliot

Clerk: Arnott, Douglas

Staff:

McLellan, Ray, Research Officer, Legislative Research Service

Witness:

From the Office of the Provincial Auditor:

Archer, Douglas F., Provincial Auditor

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, 18 May 1989

The committee met at 1010 in committee room 1.

ORGANIZATION

The Chairman: I am going to call the committee to order. I trust you can hear me, I have been down with a terrible cold. If my voice gives out, the vice-chairman can take over.

I am going to suggest a change in the agenda. My understanding from Mr Villeneuve is that item 1 will probably be withdrawn by the person who proposed it, but while we are waiting for her to come, I propose we deal with item 2, which is the report of your subcommittee.

Your subcommittee reports three matters. We met on Thursday, 11 May to review the committee schedule of business and the related budgetary requirements. Your subcommittee advised the chairman and the committee clerk to prepare a draft of the 1989-90 committee budget, which will include a list of the items that are attached; you have the attached items that will go into the budget. We do not yet have that budget before us; however, we are working on it. What you have are the main items that will go into that budget.

Your committee recommends the proposed schedule of meetings. The schedule of meetings is based on the basic principle I think we agreed on and that I proposed some time ago, which is that items that can be dealt with expeditiously are dealt with while the House is in session, and items that are of a more complex nature and that need more extensive looking into or more extensive research and briefing will be dealt with during recess. That is why the items are not necessarily in order of importance but rather in order of ways in which we can deal with them. These are all items that the committee in the past has agreed it wished to deal with.

So there is the report of your subcommittee. Would somebody move for the adoption of that? Is there any discussion, first, of the subcommittee report?

Miss Nicholas: Should we assume that we will be sitting in the Legislature come 10 August?

The Chairman: It is based on the assumption that we will not be sitting in August. If we are sitting, then we may have to revise the agenda, but I doubt that that is going to happen.

Miss Nicholas: I would move the adoption.

The Chairman: Miss Nicholas moves the adoption of the subcommittee report. Those in favour?

Mr Adams: I know about the other one, but what is this Canadian Comprehensive Auditing Foundation conference and where will its meetings be?

The Chairman: They will be in Toronto this time. We have assumed that all members may wish to attend, but of course it will be optional to as many of you who wish to participate, and our fees will be accordingly.

Comprehensive auditing is an area we have pioneered, I guess, in Ontario. We are further advanced than any other province and it is certainly a concept that owes a lot of credit to our Provincial Auditor, Doug Archer, who has been at the forefront of the theory and development of this field, so it would be appropriate for us to be there as the leaders.

Mr Ballinger: You mean Douglas Dye?

The Chairman: With respect to Mr Dye, I think maybe Mr Archer is just a little ahead of him.

Mr Archer: I think you would get an argument from Mr Dye on that.

Miss Nicholas: Given that the Legislature will most probably be sitting the week of 9 July, do you see any problem with the whole committee travelling?

The Chairman: Yes, I see tremendous problems, but I wanted to put it in and I think we should ask for it. It is particularly important that we have strong representation at that. We have lost two of the four writers of the report which will have a major influence, I think, on public accounts committees in the country: Aideen Nicholson was defeated in the federal election; and, on a pleasanter note, one of our other writers, of course, we just sent a letter to congratulating him on becoming President of the Treasury Board of Newfoundland with the change of government there.

So it means that only the two of us are going to be there, and it would be useful to have, as we did have in Nova Scotia, as many members of our committee there as possible to explain why the procedures we are advocating work here and therefore might be adopted elsewhere.

Mr Ballinger: Why our chairman is so good?

The Chairman: It is the whole committee that will take credit and not just the chairman. I think the committee did a pretty good job of selling the concepts in Nova Scotia and we appreciated Mr Ballinger and all the people who went down there. Okay. Is there anything else on the subcommittee report?

Motion agreed to.

The Chairman: So the agenda has been approved, with of course the stipulation that at any time for strategic reasons, such as difficulty of deputy ministers appearing on particular dates, we may have to shuffle some of those, but in general we will try to follow that schedule.

ONTARIO HUMAN RIGHTS COMMISSION

The Chairman: Mr Villeneuve, do you have any more information on Mrs Marland's motion or would it be safe to say that it is withdrawn?

Mr Villeneuve: I would prefer Mrs Marland do this officially herself. She has advised me that she intends to withdraw her motion, but I hesitate to speak for her.

Miss Nicholas: Mr Chairman, I think it is inappropriate that she is not here on this motion at this time. I hate to bring it up, but she was given a slot at 10 o'clock and we are all here. I think perhaps it is a bit inconsiderate of her not to be here. I saw the agenda; she is on from 10 to

11. For the record, I would like to point out that we are waiting, 10 o'clock has passed, and given that we accepted her motion last week, she should have been here in due course to advise us that she was withdrawing it.

The Chairman: I am going to ask the committee to adjourn for five minutes, during which time the clerk will contact her office and advise her that we wish to deal with this as per our schedule at 10 o'clock, rather than bring Hansard all the way back again in an hour's time or so to deal with it. But my understanding is that the House leaders have reached an agreement. Certainly, it is an agreement which is acceptable to me wearing my hat as the critic of Citizenship, and I would much prefer it be dealt with in a committee other than public accounts.

Miss Nicholas: Are you discussing the motion, Mr Chairman? Have we started—

The Chairman: Very good point. We stand adjourned for five minutes.

The committee recessed at 1020.

1030

The Acting Chairman (Miss Martel): If we can bring the committee back to order, we are dealing with the motion which was placed by Mrs Marland last week before this committee, the motion to consider having the Ontario Human Rights Commission before us. I would like Mrs Marland to begin, if the committee is prepared to deal with it now.

Mrs Marland: I will not reread the motion I am withdrawing, as it was read into the record last week. The reason I am withdrawing the motion this week is that the three House leaders are in the process of developing a consensus that the matter of the human rights commission should be heard before the all-party standing committee on government agencies rather than the standing committee on public accounts.

I am indicating that my withdrawal of the motion is simply from this committee; it is not withdrawing the concern I have as critic for Citizenship or the concern the Progressive Conservative caucus has in the matter of the human rights commission currently. It is simply that we want to get the matter before the right vehicle, and the House leaders for the New Democratic Party and the Conservative Party feel that government agencies is the appropriate committee. We now understand that the government House leader, Mr Conway, is coming to that consensus of agreement as well, so I will withdraw the motion.

The Acting Chairman: Thank you, Mrs Marland. Is there any further discussion of the motion?

Mr J. B. Nixon: I would just like to concur with Mrs Marland that it is the interest of this party, too, to get this matter dealt with as expeditiously as possible before the appropriate committee, to be determined on a consensual basis. I would also like to congratulate Mrs Marland on her continuing equanimity, felicity and generosity in dealing with this committee's time.

The Acting Chairman: Mark that down; get it on the record. It must be the start of a long weekend.

Mrs Marland: I thought you were going to say the start of a long relationship.

The Acting Chairman: No, I would never say that. All right, having dealt with that matter, because the chairman has still not arrived, I think we should now move in camera—

Mrs Marland: It takes all-party agreement to accept my motion of withdrawal.

The Acting Chairman: Does it? Sorry. I would ask the committee members if they agree with the recommendation that Mrs Marland—Would you like a voice vote or a recorded vote on that, Mrs Marland?

Mrs Marland: I am quite happy to accept a voice vote.

Agreed to.

The Acting Chairman: Having completed that business, the next order of business is to move in camera to discuss the draft report on the Ministry of Community and Social Services and also the draft report on the Ministry of Revenue.

Mr Ballinger: I move we go in camera.

Motion agreed to.

The committee continued in camera at 1034.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

ANNUAL REPORT, PROVINCIAL AUDITOR, 1988:

MINISTRY OF NATURAL RESOURCES

PATRICIA STARR

ORGANIZATION

THURSDAY 22 JUNE 1989



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Philip, Ed (Etobicoke-Rexdale NDP)

VICE-CHAIRMAN: Pouliot, Gilles (Lake Nipigon NDP)

Adams, Peter (Peterborough L)

Ballinger, William G. (Durham-York L)

Charlton, Brian A. (Hamilton Mountain NDP)

Collins, Shirley (Wentworth East L)

Cousens, W. Donald (Markham PC)

Fawcett, Joan M. (Northumberland L)

Nicholas, Cindy (Scarborough Centre L)

Nixon, J. Bradford (York Mills L)

Villeneuve, Noble (Stormont, Dundas and Glengarry PC)

Substitutions:

Carrothers, Douglas A. (Oakville South L) for Mr J. B. Nixon

Kormos, Peter (Welland-Thorold NDP) for Mr Pouliot

Martel, Shelley (Sudbury East NDP) for Mr Charlton

Owen, Bruce (Simcoe Centre L) for Mr Ballinger

Also taking part:

Cousens, W. Donald (Markham PC)

Hampton, Howard (Rainy River NDP)

Clerk: Arnott, Douglas

Staff:

McLellan, Ray, Research Officer, Legislative Research Service

Witnesses:

From the Office of the Provincial Auditor:

Archer, Douglas F., Provincial Auditor

From the Ministry of Natural Resources:

Tough, George, Deputy Minister

Lingenfelter, Lou H., Director, Aviation and Fire Management Centre

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 22 June 1989

The committee met in camera at 0930 in room 151.

1009

ANNUAL REPORT, PROVINCIAL AUDITOR, 1988
MINISTRY OF NATURAL RESOURCES
(continued)

The Chairman: I am going to recognize a quorum. We do have a number of substitutions. Shelley Martel is joining us, substituting for Brian Charlton; Peter Kormos substituting for Gilles Pouliot; Doug Carrothers substituting for Brad Nixon; and Bruce Owen substituting for Bill Ballinger. Are there any other substitutions at this point?

You have an agenda before you. A number of members were here earlier for briefing by our research officer and the Provincial Auditor. We have an agenda before us. A number of members were here earlier for a briefing by our research officer and the Provincial Auditor. Immediately, we will be dealing with section 311, the Ministry of Natural Resources.

At 11 o'clock, no matter what is happening, we have agreed that we will deal with a motion which was posed last week and which the committee agreed to deal with at 11 o'clock today, dealing with the possibility of this committee calling before us Mrs Starr, the former chairperson of Ontario Place. So that will be dealt with at 11 o'clock.

Following that, and just before we go up for our vote—so I would like to schedule it at 1145—if possible, we will be dealing with the report of your subcommittee. That will take about five minutes.

I trust that agenda is acceptable to members.

We welcome the Ministry of Natural Resources before the standing committee on public accounts. As you are aware, the auditor made certain comments regarding section 311. We have with us George Tough, the deputy minister, who is the second to my right; Lew Lingenfelter, director of the Aviation and Fire Management Centre, who is on my far right; John Queen, the acting executive director of finance on my extreme left; and John Kerr, the director of financial resources, sitting right beside Mr Queen.

Members and guests, I am sure, will know our Provincial Auditor, Doug Archer, on my left. Beside him is the audit director, Ezio Osti. Beside him—at least he was beside him; now he is in the gallery—is Syd Latchana, the audit manager. Mr Latchana, would you not prefer to sit up here so you will be accessible to the auditor for questions? Good.

First, I am going to ask Mr Archer if he has any comments, and then I will turn it over to the deputy minister for a short statement which has been circulated to you.

Mr Archer: Perhaps I could just summarize. For those who have copies of the auditor's report, it is summarized on page 112.

Briefly, our office reviewed the ministry's forest fire detection and suppression activities, and we had two objectives in mind. One was to assess whether the firefighting supplies and equipment were being acquired economically. The second objective was to assess whether the firefighting staff and equipment were being utilized efficiently.

With respect to the first objective, we concluded that the equipment was being acquired economically, but as a byproduct of that assessment, we did note that the recently acquired water bombers were too big for the ministry's hangar facilities in the Sault, and as a result, these aircraft were not being adequately serviced during the winter months.

Concerning the second objective, we concluded that improved efficiency in the use of staff and the physical resources was required. We felt there were deficiencies in the conducting of reviews and analyses of experiences in handling major fires; a deficiency in the allocation of fire crews to the areas where they were needed most; and also the fact that they could improve the monitoring of forest fire response time.

We made a number of recommendations to address these areas, and the ministry in its response indicated very positively that it would certainly consider all the recommendations that were made.

That in capsule form is the substance of our report.

The Chairman: I think we are agreed on the issues. There are four issues, as the deputy minister has pointed out in his brief and as Mr Archer has briefly hit on: the maintenance facilities for water bombers; the review of major fires; the allocation of fire crews; and last, the monitoring of response time to fires.

The deputy minister has provided a statement. Did you want to summarize that statement or do you want to read the whole statement into the record? We do have limited time this morning and we wanted to make sure we have plenty of time for questioning.

Mr Tough: In view of your time constraints and also the fact that Mr Archer has summarized some of the points, I will just skip over some of the main points, if the committee will indulge me. I will be very quick and then we will have plenty of time for questions.

Might I say at the beginning, though, that I am particularly pleased that not only the Provincial Auditor is here, but also Mr Osti and Mr Latchana? I am only sorry that Mr Tutt is not here. Mr Osti and Mr Tutt accompanied us on a site visit during one of our busiest fire days last summer and that gave us an opportunity to have very constructive dialogue, which we hope contributed to the understanding of their concerns and our concerns and which I think led to a better report and a better response on our part. I would like to acknowledge that constructive dialogue which took place and the nature of the report that came out. It was an extremely helpful report from our point of view.

As Mr Archer has said, and you have, Mr Chairman, there are four issues that were noted in the report. We did make a very quick response.

I would like quickly to note as a context for the discussions that the objectives of the program are: to prevent personal injury, loss of life and social disruption resulting from a forest fire; to minimize the negative

effect of fire on public works, private property and the natural resources of Ontario; and to use the natural benefits of fire in achieving ministry objectives for land and resource management.

As a number of you know, we have our Aviation and Fire Management Centre in Sault Ste Marie, which co-ordinates the provincial forest fire management program. That centre oversees the components of the program, which include prediction and detection of the fires and the delivery of resources to suppress them.

I understand the committee has given some consideration to some field visits. If you found it appropriate and if you found it possible, I would like to extend an invitation to include one of our fire centres and perhaps some of the activities as part of your itinerary. We would be very pleased if you could fit that in your timetable. I think the Provincial Auditor would be in harmony with that invitation.

Last year we had the second worst on record for the number of fires. There were extreme heat conditions and extreme drought conditions and they produced, unfortunately, the best conditions for the outbreak of fire. We had days last year when more than 100 new fires started on a single day; we set several records for the number of fires started in a day. You may remember that last summer there were days on which we and others were concerned about the safety of some major communities, particularly in the northwestern part of Ontario. We recognize that we must respond and respond immediately to fires that are breaking out over a wide area in those circumstances, so that is the background to some of the comments I would like to make for the record.

The auditor pointed out, quite appropriately, the problem of accommodation of our nine CL-215 water bombers. He indicated that they cannot be accommodated properly in the existing hangars in Sault Ste Marie and he was emphatic that we must move quickly to provide some accommodation for maintenance of those aircraft.

We are very much aware of that problem and we are heartened by his supportive comments and we are moving ahead with those initiatives. We received approval from cabinet quite recently to proceed with the design and the development of cost estimates for a new hangar and we will move along with that as quickly as possible. In the meantime, I can assure members that we will take whatever measures are necessary to provide proper maintenance for the aircraft. We have a co-operative arrangement with Algoma Steel in Sault Ste Marie, which is being helpful in that regard.

1020

Among other things, the auditor's report noted that we conducted reviews of fire in fewer than 15 per cent of the instances when a board of review should have been conducted into a fire. Reports suggest that fire reviews could help identify potential problems in firefighting efforts. We agree with the auditor that reviews can provide valuable information in improving the effectiveness of the firefighting efforts. We will follow through on these reviews in our annual review of aviation and fire management activity and in our operational audit.

We have also adopted a new policy that broadens the criteria used for deciding on a review from size alone to include significant damage, cost, management activity or other reasons. We believe that will address the concerns of the auditor.

The auditor also recommended that we reassess the allocation of our fire crews. We indicated in our response to the auditor's recommendations that we agreed with that recommendation to reassess the allocation of crews. We have done so and we have reallocated fire crews in a manner which we believe is consistent with the Provincial Auditor's report. In addition, to increase flexibility, we now have 207 three-member initial attack crews instead of 170 five-member crews in place when the report was prepared. We think this will enhance our ability to respond quicker to a greater number of fires with a greater number of more highly trained crews.

Let me also finally address the issue of response time raised in the auditor's report. It recommends that response times in excess of those expected for a particular fire be followed up and formally explained. The report noted that in 36 instances, response times were in excess of 15 minutes where the ministry criteria required immediate dispatch of firefighting resources. The report mentioned that in 17 of these instances, firefighting crews were dispatched after more than one hour.

The report supported the ministry's efforts to respond to fires quickly. However, it suggests that the ministry needs to be able to provide documented evidence to explain delays in response times that are significantly beyond ministry standards. We are also following up on the recommendation to review response times that are in excess of those expected for a particular fire. We will be implementing new procedures as soon as possible.

Let me mention at the same time the fact that a large number of fires can occur almost simultaneously. When that happens, as Mr Osti is aware, our system can become overloaded. Second, often fires are reported at night. They may well be in areas that are not accessible in the dark. Fires may also occur in wet areas where the danger of spread is reduced. Under those circumstances there may be few costs associated with a slower-than-average response, especially when we are responding to higher priority fires.

We are prepared to elaborate further on the issue of response time if the committee has any questions. However, I should add that the Provincial Auditor is absolutely correct in stating that we should be reviewing and formally documenting the reasons in the instances where provisions of our guidelines are not met.

The Chairman: Thank you very much for an interesting presentation. I know we will have a number of members of the committee with questions. Do not raise your hands all at once.

Ms Collins: I wanted to ask about the computer system which I understand you have installed, or perhaps is not fully operational yet. Could you tell me what it is designed to do and whether it is fully operational?

Mr Tough: Might I ask Mr Lingenfelter to take a crack at that? I can provide some supplementary if the committee agrees.

Mr Lingenfelter: We have a computer system linked up right across northern Ontario and into Huntsville, in the Algonquin region, which covers part of southern Ontario. That system utilizes deck equipment. The system we have, what we call a decision support system, is made up of a number of systems which are linked together: systems to record weather forecasting; weather conditions; drought conditions in terms of conditions of the duff on the soil; our manpower capabilities. We have a lightning locator system included in there, which plots lightning as it occurs, a radar system which

shows rainfall where it is occurring, a number of pieces like that. That system is linked together through a number of what we call fire centres, and there are five of those in the province. Those feed into the centre in Sault Ste Marie as well.

The regions, based on all the information that comes into them, make decisions whereby they can initiate actions locally. Where conditions go beyond their capability and they have to draw upon the province, we also know what is going on out there through that system and we can assist them by moving resources in the province or going externally to help them.

Ms Collins: Is that fully operational now in all five centres?

Mr Lingenfelter: Yes, it is. We do not have all the software pieces up and running that we would like to have, but the system is up and operating.

Ms Collins: Do you have plans on expanding that system in the future, or what did you intend to do?

Mr Lingenfelter: We are expanding it constantly. We are working on it constantly, yes.

Ms Collins: I have another question on another matter, but I did not know if —

The Chairman: Why do you not continue, and unless there are supplementaries on the matters you have raised, carry on.

Ms Collins: In the report we have from our researcher, it says your ministry is involved in some international efforts in China and that the project was to be completed in 1989. Perhaps you can fill us in on what has happened about this.

Mr Lingenfelter: We have been involved in the project in northern China for the past five years. That project is scheduled to be completed at the end of this month. There was also a possibility that the project is or was going to be extended, but that decision has not been made yet and had not gone before the government. With things in China the way they are these days, I do not know where it stands at this point.

However, the project was a project of transferring technology in firefighting in the areas of prevention, detection and suppression to the Chinese people. That project, in our opinion and based on a monitor the Canadian International Development Agency hired to monitor us constantly, was highly successful in that we successfully transferred the technology to the Chinese people.

They, in turn, are utilizing that technology. They are in the process of getting their systems up and running. They have put in approximately 150 tower sites, roads going to those tower sites. They have built fire centres. They have a nice big fire centre in Jiagadaqi. They have put up a number of supplementary buildings throughout the northern province, warehousing and that sort of stuff. They have sent people over here to be trained. We have sent people over there to help them out. They are very enthused about the project. The project is working. The technology is working for them. They are happy with the systems. It is just unfortunate that things have happened the way they have in the past while, because we were hoping to continue.

Ms Collins: I know this has nothing to do with the auditor's recommendations, but I found it interesting and I just wanted to learn more about it. Thank you, Mr Chairman.

Mr Chairman: Sometimes the chair does use a little flexibility, as long as the questions are not really long.

Mr Tough: Mr Chairman, would you just excuse a point of emphasis here? I do not know whether the members got it, because Lou referred to it only once. This is a project which is financed by CIDA. We are the executing agents, if you like. We provide the expertise and the staff and they provide the funding.

Mr Kormos: Thanks to Ms Collins for raising that issue. It attracted a question mark on the material I received and I felt a little uncomfortable in view of the fact that it was not precisely what was being spoken to, but as she has raised it—

1030

We are teaching them methods of suppression? Hell, they far exceed any methods of suppression we could ever teach them. I do not understand how, in view of the position that has been taken by every party in this legislature, the position that has been expressed across this country—Appreciating the perpetual argument that we are at odds with a government policy and not with the people of China, the sad fact remains that if the only way to impress upon a totalitarian, undemocratic government that we are not going to tolerate what it is doing is to withdraw our involvement with it, notwithstanding that it would result in an impact on its people, and again, that is undeniable—

The problem is that the corollary of that is that if we continue to participate, it is a condonation, in effect. Notwithstanding that it is close to termination, I just cannot for the life of me understand why it is not a matter of, "Sorry, guys, we don't do this kind of work for fascistic regimes;" at the very least, "We're not going to dirty our hands by being involved, by having to co-operate or participate, with a regime that shoots civilians, students on the streets."

How can there not have been a speedy decision made to pull out? Again, I do not care whether it is CIDA doing it or not. What they do is up to them. What the provincial government does and this ministry does should be up to the provincial government and the ministry and it should be a matter of, "No damn way are we going to continue to have a presence there." How is it that that decision could not have been made promptly and speedily, in view of the position of the government and even of the opposition parties here in Ontario?

Mr Adams: On a point of order, Mr Chairman: I fully understand the intent. We are dealing with a political matter. We have representatives of the ministry here, we do not have representatives of the political side, and that is the only thing that concerns me about it.

If I might make an added point, we should be aware that there are still Chinese people in Ontario on various exchange programs. One of the problems we face in this interim time is that those people have to return to their country and I think there is a sensitivity there which we should all be aware of.

Nevertheless, my point of order is that this is a political matter and I think we are not dealing with political people.

The Chairman: It is not a matter that is covered under the public accounts. It is up to the deputy minister if he wishes not to deal with the matter, because it is of a policy nature. I allowed Ms Collins a short statement on it and I guess people feel very strongly about these things, but they are not covered directly under public accounts. If the deputy minister wants to respond briefly, then I would like to get back to the report itself, because I have a number of people on my list.

Mr Tough: I recognize the strong views and I recognize the views on all sides on this issue. One point I would like to emphasize is that we are not there and they are not here at present. The question of whether we return there or whether they come over here for further training is an issue for our ministers and cabinet and CIDA to decide, but I just want make it clear on the record that there is no involvement at present in this fire program.

The Chairman: I wonder if we can move on to the auditor's report. Mr Kormos, did you have further questions on the report?

Mr Kormos: Not at this time, Mr Chairman. I wanted to follow up on what Ms Collins raised.

The Chairman: I can appreciate how strongly many members feel, and indeed the public feels, about this issue.

Mr Villeneuve: Could you elaborate on the type of arrangements the Ministry of Natural Resources in Ontario has with possibly Quebec and Manitoba regarding some rather serious fires we have had here and they have had over there? Is there a formal arrangement or is it simply that you go when you are called?

Mr Tough: There is quite a formal arrangement, and I will ask Mr Lingenfelter to elaborate on it in a moment. There is a formal arrangement not only between the provinces and with the federal government, there is an establishment in Winnipeg which essentially constitutes the co-ordinating mechanism for the distribution and allocation of fire resources across the country. In addition, we have arrangements with states in the United States for the exchange of fire resources.

On a couple of hot days last summer, we had a very considerable amount of equipment in from Newfoundland, the Yukon, the Northwest Territories and British Columbia. We had a team of firefighters in from Idaho and Washington; I am not sure about Washington, but Idaho. So there is an arrangement.

If you visit the fire centre in Winnipeg, you will see they have a big war board which shows where all of the equipment across Canada is, whether it is a water bomber or whether it is a light helicopter or medium helicopter, and where the fire crews are. Essentially, they try to do a running inventory, if you like, of who has equipment to spare and who needs equipment, and try to allocate that across the country.

The arrangements for issues like payment and so on are all worked out beforehand during the winter so that when the issue comes up of us needing another water bomber or Quebec needing a helicopter from us, the equipment is all allocated and it is all done in very short order.

Do you have some supplementary on that, Lou?

Mr Lingenfelter: That pretty well covers it, George. The agreement

we are under with all of these other provinces is called the mutual aid resource sharing agreement; Our jargon is the MARS agreement. As Mr Tough said, we have a central agency in Winnipeg: CIFFC, the Canadian Interagency Forest Fire Centre.

We share resources back and forth quite considerably. Last year we were the recipient of those resources and, thank God, they were there to help us. This year, we have been fortunate in that we have been able to help other provinces. Right now, though, we do have some assistance coming into Ontario to help us out in a situation we are experiencing in the far north. Yes, that is all in place and it is working very well.

Mr Villeneuve: Do private lumber companies have their own firefighting equipment, and is there an integrated network if they do?

Mr Lingenfelter: Yes, they do. We have agreements with the forest industry. All the various companies are under agreement. They primarily take the initial attack on fires on their licensed area and they can hold fires for us until we can get our resources into place. They are very effective. They are trained for that. They have equipment on site to carry out those kind of duties.

Mr Villeneuve: What triggers an emergency: consultation, one individual, a group of individuals? When do you decide we have a major problem as opposed to something that can be handled without any additional assistance?

Mr Lingenfelter: There are probably a number of things. We have a good prediction system and we can normally predict what is going to happen across the province in various sectors of the province ahead of time. So we prepare ourselves to as large a degree as possible.

It is when we stretch our resources beyond our capability to respond quickly that we are probably in an emergency situation, and then there are different kinds of emergencies. If communities are threatened, then we have to get into a different mode and work with communities. If there is any threat, we have to work with the communities: Are we capable of getting people away from the fire and from the front of the fire line, evacuating or taking other preventive measures, whatever they might be? That would put us into an emergency mode. There are different kinds of emergencies we have to react to.

Mr Villeneuve: One final question, and then I will relinquish. Are the crews strictly firefighters, or being trained while they are not fighting fires? Do they, for instance, spray for budworm or for some of the pests that attack, or is it strictly firefighting?

Mr Lingenfelter: Those firefighters are strictly firefighters. They are trained as firefighters, and they train throughout the summer; weekly they are trained to keep up to date in fire training. If things are really lax and there is nothing for them to do, we might put them on something else close by where they can be utilized, where they can be drawn back into the fire organization very quickly, but they are by and large strictly firefighters.

1040

Mr Villeneuve: And your aircraft are strictly firefighting aircraft, they are not a multiple-use aircraft?

Mr Lingenfelter: Our water bombers are strictly firefighting.

Miss Martel: I have several questions concerning the review of major fires, the second issue noted by the auditor. It seemed to me in reading the auditor's report that the review policy had become fairly useless as a tool for looking at the circumstances causing fire in the province. You have indicated today that there is a new policy that is going to be put into place which looks not only strictly at size of fire but also at a number of other circumstances.

The questions I have concern this: Was the problem the auditor identified that the policy was too restrictive because it only looked at the size of fire, or was it that the ministry was not enforcing its own policy well enough to ensure that a review would take place? That is the first question.

Concerning the new policy, I would like you to expand a little on what the policy entails and also outline to the committee how that policy is going to be enforced so we do not get into the same position we have been in, that the numbers that should be taking place are not.

Mr Lingenfelter: We have a new policy in place that came into effect 1 May of this year. The criteria we are using to conduct fire reviews or to determine whether there should be fire reviews we have identified in two levels: One is the provincial level and one is the regional level.

The criteria for the provincial level are fires that have caused significant damage or loss; that might have a high cost; that resulted in significant public concern; or there might be important questions unanswered. Those reviews would be called by the assistant deputy minister for northern Ontario.

Then we have what we call the regional level reviews, and these could be called by the regional director. These would be fires that escape initial attack unexpectedly; where the fire behaves in an unusual way; or the handling of the fire or situation was noteworthy, positive or negative. Those are the criteria we have used.

In terms of following up on that to make sure we adhere to those standards, we are going to be conducting an annual fire review through what we call our committee system, whereby we bring in our regional managers every year. We are going to involve industry people as well in doing this review and just talk about the program in a general sense and go through it in that manner. Then we also have what we call an operational audit system in the ministry whereby we go out and audit regions from our centre in the Sault; we will be auditing them as well to ensure that they are adhering to the standards and criteria as set down.

Miss Martel: Are the two levels you have just described, the committee system and the operational audit system, new as a result of the auditor's comments or were they in place before?

Mr Lingenfelter: They were there before. The committee system was there before and the operational audit system was there before. We are just going to make sure they are utilized.

Miss Martel: It is a question, really, of clearer enforcement?

Mr Lingenfelter: That is right.

Miss Martel: Do you have any sense—perhaps you do not and it will be an unfair question—of whether the new policy will result in more or fewer reviews, in your opinion? I am asking because if they are going to be used to target problematic areas and to try to determine how the ministry will deal with specific problems in the future, I am wondering if more or fewer is going to cause you a problem in identifying ministry response to fires in future.

Mr Lingenfelter: In answer to your question, it will likely result in more reviews being conducted. We have also said a minimum of one per cent of the fires will be reviewed, with a minimum of one fire per year. On average we have 1,500 fires per year, so we are probably talking about 15 reviews annually; on average, again, but that can fluctuate from year to year.

Mrs Fawcett: My comments have to do with fire prevention efforts, and I see the auditor gave you a good clean bill of health there. As a former teacher, I know a lot of good stuff was happening there. But I believe some of the sighting towers in the local areas were cut back and are no longer manned, and I am just wondering if you could give me any information on that, simply because, of course, the Northumberland forest tower is no longer being manned and a lot of the residents were rather upset and maybe fearful.

Mr Lingenfelter: We moved completely out of a fixed detection system quite some time ago and have gone into an aerial detection system which has proven to be much more effective over the years in that, again, we have a good prediction system and can predict in large part where we think fires are going to occur, or at least we know where our most hazardous areas are. We also know where our values are. We can also follow storms around the province and we know how to pick fires out of those things fairly quickly. With the aerial detection, we can change and follow patterns which we set up almost daily in terms of where to look for fires.

With the detection system, you had towers dispersed here and there and there were a lot of blind areas between those towers. Sometimes fires got pretty big before they were detected, usually incidentally, by an overhead aircraft or by somebody from the public. This new system is found to be much more effective than the fixed detection system.

Mrs Fawcett: Our Northumberland forest would be included in that, and a lot of these other areas?

Mr Lingenfelter: That is right.

Mrs Fawcett: When the fire is detected, do the local fire departments now have to address those fires? What about their training and so on? Was there any assistance given the local fire departments to increase their knowledge of that kind of firefighting?

Mr Lingenfelter: That is a good question. I am not familiar with the Northumberland case, but we have had agreements with municipalities now for a number of decades in terms of them assisting us and us assisting them with fires. We have prepared education packages, videotapes and what have you, and we go out and help the municipalities in terms of training.

Mrs Fawcett: And responding.

Mr Lingenfelter: Yes. We have agreements with municipalities in terms of how we respond, who responds, when, what the sharing of resources will be and costs, and that sort of thing. We are doing a major review of that

whole thing right now, looking at it. We think we can improve our work with the municipalities in terms of them helping us and us helping them. We think we can provide more and better training to the municipalities in that respect as well; that is ongoing right now.

Mr Adams: I realize you face this enormous problem every year, these hundreds and hundreds of fires and the area that is covered. Joan started discussing the matter of prevention. Could you talk to us a little about whether, by various measures, the number of forest fires is increasing or decreasing over time? You mentioned your ways of predicting. I understand the storm point and so on, but could you comment on other ways that, before the fire season starts, you get some sense of where there might be fires and can prepare yourself in that way?

Mr Lingenfelter: In terms of predicting, I will give you a good example. Last year it was very easy to predict that we were going into the fire season under very serious conditions. We knew it well in advance and we were prepared for it.

Part of the reason for that was that we had approximately 30 fires—I think a few more than 30 fires—between 1 January and 31 March in the northwestern region. They were burning under snow. Some people would set up a campfire along the shoreline in the snow and before long that was burning under the snow into the bush.

We measure it through what we call drought indices. We know going into the season how much moisture is in the various layers of the duff, the soil. We know what the water tables are like in terms of whether they are up or down. Those drought conditions tell us what kind of season we are moving into.

1050

The unknown factor, of course, going into any fire season is what kind of spring you are going to have. If we have a normal spring where we get normal seasonal rainfalls, then the fact that we started out with a drought situation could be somewhat tempered by the fact that we are getting rain at the appropriate times. If we do not get that rain, though, it just compounds our problems, which is what happened last spring.

We went into the fire season with severe drought situations. We did not get the rains and, as a result, what we call our spread indexes were extremely high, which means it did not take much of a spark to start a fire in the bush. With the conditions the way they were, the dryness of the duff and the various levels of the soil, they just went rapidly. It was a real effort to keep—

Mr Adams: But for a given condition, how is the instance of fire affected by the type of forest, the type of bush; for example, a clear-cut area or a replanted area against an area which is natural growth, an area which is deciduous or an area which is coniferous or whatever?

I ask you that because I understand exactly what you say and I can see how you can provide your own people with that sort of information before the indices start. But in a particular region, for example, the Northumberland forest, are you able to provide them with local expertise to say, "Your type of forest is such and under these conditions you are particularly liable or you are not"? That is the sort of—

Mr Lingenfelter: In answer to your question, yes we can. We do field

mapping. We have a lot of work to do in that area, but we do do field mapping.

A coniferous forest could be very hazardous for us, depending on the age of the forest and the undergrowth story. It will give us an idea of the burning capability of that forest, the kind of fires we will have in it.

That, again, depends on various days. If we are under extreme drought conditions, then a coniferous forest could be real threat to us in the sense that we could end up with crown fires. If there is not much understory to that, under normal conditions it is not that much of a risk. The best kind of forest for us, in terms of low threat burning, is a mixed forest whereby you have the deciduous and the coniferous mixed.

With that kind of forest and the normal understory, the hardwood forest, our fire threat is not nearly as high as in those areas where we do have a coniferous forest. Where we have a new forest it is much higher, because the growth is lower to the ground. Also, in the northwestern region where we have thin soils over the bedrock, those soils dry out extremely rapidly and it does not take long for that soil to dry out, and that provides us with—

Mr Adams: So you are gathering this information and it is available at the local level at various ways?

Mr Lingenfelter: Yes.

Mr Adams: It may be unfair. My question was—I know it is difficult to answer, and I know you are in the business of preventing fires and putting them out, but is the number of fires by various measures increasing?

We know the province is getting more densely settled every year and people are travelling more and one would suggest that fires caused by humans should be increasing. I just wondered if you would care to comment; if you cannot, that is fine.

Mr Tough: There are a couple of answers. One answer is that we hope they are not increasing. Another answer is if I just note very quickly the number of fires per year. In 1984-85 we had 1,240; 1985-86 we had 887; 1986-87 we had 1,088; 1987-88 we had 1,923; and last year we had 3,260.

We started out this year thinking we were going to end up with relatively low numbers. So far, we had no fires at the early part of the season, in contrast to several hundred in the previous period. So we hope it is not getting larger.

Certainly, it is cause for concern, particularly in northwestern Ontario where we are, after all—Mr Adams would certainly know this—an appendage of the Prairies. We get that very dry continental climate there. We certainly notice that, and we notice it is not getting any better. We had hoped early on this year that we had enough soil moisture replenishment to make a difference, but it seems as if it has dried out much more quickly than we had hoped.

Mr Adams: I have some awareness of those figures. I wondered if they had been normalized for the indices. I understand it is very difficult to say. If, for example, we had five very warm years and it was getting warmer and warmer every year, I would expect the number of fires to go up. I was just wondering if, compared with 10 years ago, for a given hazard, we are getting more or less.

I do not intend it to be a trick question. I think it is an interesting point. The climate, for example, is supposed to be getting warmer. We should be getting more fires if that is true, but are we getting even more than that, if that is the right way of putting it?

Mr Tough: We think we do not know enough yet about those basic trends. We have a fairly good handle on what and who causes them. Every year brings its share of people fires and every year brings its share of lightning fires, train fires and so on, so we have a breakdown under that. We would not want to do it today, and we might be hesitant to do it at all, but it is a very interesting point, the basic factors and how they are changing. It is very difficult to read a trend here. This year may turn out to be good.

The Chairman: Mr Hampton, we have five minutes left before the next item of business, and I have someone else on my agenda.

Mr Hampton: You have created quite a commotion with your decision to downsize fire crews. Are you moving to a more capital-intensive way of fighting fires? Is that the essence of it? In other words, more machinery, more equipment?

Mr Tough: There are a couple of ways we could answer that. I think one short answer to your question is yes. We have equipment now in place, especially the two CL-215s and the detection equipment and so on that we did not have some years ago. We now have a capacity we have not ever had before, not only with our water bombers for the initial attack but the available equipment we can get from other areas. So we do have, if you like, more horsepower in terms of equipment.

I think the basic consideration, however, is how we can maximize our flexibility to deal with the fires that have to be dealt with ultimately, and almost all of them do, by ground crews. I am very pleased that the member raised the question, because we know it is a question on which there is a difference of view. We know there are those who hold that this was not a wise measure to undertake. We do not agree with that. If we agreed with that, we would not have done it.

We are very disappointed with the continued suggestions that we are somehow putting our crews in jeopardy by virtue of collapsing the crew size from five to three. We have the safety of our employees foremost in our considerations. We recognize that there will be those who have a difference of view about whether we have taken the right decision. Obviously, we believe we have. What we have done, we believe, in changing the crew size is maximize our flexibility, maximize our effectiveness and our efficiency.

1100

We have a particularly unusual arrangement with the taxpayers of Ontario for our emergency firefighting funding. We do not have to seek prior approval of that funding; we get what we need. In return for that privilege, we think we have to deliver as efficient a fire program as we can. One of the ways we can do that is by maximizing the flexibility of our fire crews.

Mr Hampton: The auditor's report---this is the one prepared by legislative research---lists your equipment: MNR Aircraft Utilized in Fire Management (1989). You talk about the nine CL-215s, Cessnas, Aero Commanders, etc. Is this accurate? This is what you have in the field now?

Mr Lingenfelter: Some of those are leased aircraft. We have nine CL-215s.

Mr Hampton: Do you have any leased CL-215s as well?

Mr Lingenfelter: No.

Mr Hampton: So you have nine, and whatever you can get from Quebec and Manitoba.

Mr Lingenfelter: That is right. We have nine in Ontario plus whatever we can get from other provinces.

Mr Hampton: You have seven light helicopters and eight medium helicopters?

Mr Lingenfelter: Not within our fleet. We have five helicopters in our fleet.

Mr Hampton: It says here that you have seven light helicopters, of which three are contract; and eight medium helicopters, of which seven are contract.

Mr Lingenfelter: That is right.

Mr Hampton: So that is an accurate reflection of what you have right now?

Mr Lingenfelter: Right now, yes, because some of them are under a leasing arrangement. That is right.

Mr Hampton: I understand the key to the fast attack, especially in British Columbia, is being able to move people rapidly by helicopter to the scene of the fire.

The Chairman: For the record, the answer is yes.

Mr Hampton: It seems to me, then, that what you need is more helicopters. Is that right? If you are going to make the fast attack on a fire, you have to have more helicopters.

Mr Lingenfelter: If we have to move people in, yes.

Mr Hampton: I will tell you why I have a problem with this. I look at the northwest and the north-central regions, where by your own admission we have had the most serious fire problems, last year and every year since 1983. I look at Kenora, Red Lake, Dryden, Sioux Lookout, Fort Frances, Ignace, Pickle Lake, Atikokan, Thunder Bay, Geraldton and Marathon. If you have crews in each one of those stations and you have to have a helicopter to transport them, that eats up almost all your helicopters.

Mr Lingenfelter: I think I understand where you are coming from. What happens, though, is that we have a number of helicopters that we base for the summer. As we see our conditions worsening and think we are going to need more resources, we will bring in more resources. In other words, if we think we are going to need more helicopters for initial attack, servicing or whatever, we do not wait until we are into a jackpot; we get those things on line and in place ahead of time.

We have aircraft sort of on a roster. When we need them, we call them, they will come and we pay for them as we use them.

Mr Hampton: You are talking about helicopters here?

Mr Lingenfelter: About helicopters, detection aircraft—it is the same thing—and also other aircraft for moving resources across the province; that sort of thing.

The Chairman: You have one last question, Mr Hampton, before we move to orders of the day.

Mr Hampton: When I talk to people from the north-central and northwestern regions, what they have said is that so far this year they are routinely dispatching not one three-person crew, but two three-person crews, which is the equivalent of six, to fight fires. If the idea behind the three-person crew was to get the crew there quickly and easily as there are fewer people to move, does not what is happening now—that is, routinely dispersing two crews rather than one—in effect indicate that three are not enough?

Mr Lingenfelter: Not necessarily. I do not think they always dispatch two three-man crews. Sometimes they will, depending on the intelligence they have in a given situation. But dispatching two three-person crews and finding out you only need one, taking the other one and moving it on to another fire, or bringing it back so you can put that crew on alert and have it available, in my mind is better utilization of those resources.

Mr Hampton: If you have the helicopters.

Mr Lingenfelter: Yes, we have the helicopters.

The Chairman: I want to thank you, Mr Tough, and members of your staff who have come before us. We appreciate that you are relatively new to that post. What is it, two years that you have been deputy minister?

Mr Tough: I am glad to hear you think that is new, Mr Chairman.

The Chairman: We appreciate your co-operation with the committee and with the Provincial Auditor. We will no doubt be looking at your success with your new evaluation system and probably asking the auditor to keep an eye on that. We will consider your invitation that some members of the committee may wish to visit the site and perhaps be a visible evidence in the field of the concerns of the public accounts committee and of the Provincial Auditor on this matter. Thank you very much for your co-operation.

Mr Tough: Thank you.

PATRICIA STARR

The Chairman: As was agreed with our agenda, the order, as of now, is a notice of motion which was moved last week and scheduled for debate now. I am going to ask Mr Kormos, who is substituting today for Mr Pouliot, to move the motion.

Mr Kormos moves that Patricia Starr, former chairperson of Ontario Place, be requested to appear before this committee on Thursday 29 June to answer questions concerning her alleged use of public funds for partisan political purposes.

Be it further resolved that the committee reserve the following two Thursdays to question other persons and examine such documents as may be deemed relevant to this matter.

Would you like to address yourself to that matter?

Mr Kormos: This is just an incredible scenario. I suppose, if it were to have a title, it could well be Kiss of the Spiderwoman, because the web that has been woven has been so far-reaching, so all-encompassing—indeed, Ms Starr has been described as a busy, busy, busy lady, and busy she has been.

The matter has been the subject matter, as we all know, of significant numbers of questions in the House. It has been indicated by the acting Solicitor General (Mr Scott) that he has called upon the police to conduct a criminal investigation. I suppose that is the starting point of any commentary on this particular motion, especially in view of what the motion seeks, because a police investigation is designed to identify criminal activity and, if criminal activity can be identified, is designed to go further and identify who participated in the criminal activity, and really nothing more than that.

Police investigations are not designed, as we learned in the matter of the police investigation into the conduct of, among others, the former Solicitor General recently. That police investigation, as we were told, was designed to identify any criminal conduct; it was not designed to comment on appropriateness of a member's behaviour. It was not designed to comment on whether ethical or moral standards had been breached or, indeed, on whether governmental standards had been breached.

Also, it is important that the integrity, quite frankly, of the whole House is at stake. There are actually some who have been bold enough to suggest that what this calls for is a reform of current election expenses laws. Really, I am reminded of a comment that locks are for honest people. There are people who are going to breach the law regardless of how intricate and sophisticated the law is.

It is not a matter necessarily of being critical of a law which may well be effective in terms of providing guidelines and standards which are to be met because, as I say, even the most thorough efforts at developing a comprehensive and all-encompassing law are not going to prevent those people who are going to be scofflaws.

1110

When we take a look at the magnitude of the impact of Ms Starr to date, it is just incredible. We listen to people in the community who talk about kickbacks, who talk about people being on the take, who talk about palms being greased, and the process has been a long, painful, slow one.

I have advised a lot of people to remain silent, in my working lifetime. I have advised bank robbers, shoplifters and burglars, thieves and even murderers—

The Chairman: You are talking professionally as a lawyer?

Mr Kormos: —as a lawyer, to remain silent. The reason why a lawyer advises thieves, burglars, bank robbers and murderers and other ilk of criminals to remain silent is because they can use that to their advantage and avoid detection or effective prosecution.

I have never advised, and no lawyer would ever advise, someone who is in a position to speak about the matter to be less than truthful. That is where, when we look at the impact of the web and the kiss of the Spiderwoman and we look at some of the scenarios that have developed—we look at Ms Lily Oddie Munro, who has a mother, as most of us do, but the thing that is special about her mother is that her mother was, according to Ms Oddie Munro, referred to Ms Starr for a \$5,000 job. It appears she received the \$5,000, but now we are unsure as to whether there was indeed any job. Ms Oddie Munro initially told the Legislature, among others, that she gave the names of several people to this omnipresent, busy, busy, busy Ms Patricia Starr.

After questioning, Ms Oddie Munro, with some new-found candour, indicated that no, she only gave one name to Ms Starr and that was the name of her mother. Ms Oddie Munro remains adamant that she has not discussed this matter with her mother. It is just incredible that a subject matter that could be front-page news, not only in her home town but across the whole province, and that is the survey that Pleasant Oddie apparently did, could not have been the subject matter of some inquiries on the part of Ms Oddie Munro.

The impression in the community is that this was some sort of grease, some sort of payoff, some sort of sweetheart contract---

Ms Collins: On a point of privilege, Mr Chairman: I think that Mr Kormos should more carefully choose his words. I know he is not actually naming names, but he should be careful as to the phrases he uses in that context of talking about the situation. I would ask you to take control of this situation.

The Chairman: I am sure Mr Kormos has noted your comments.

Mr Kormos: I appreciate Ms Collins's comments. I want to indicate very clearly that I intend to say what I mean and mean what I say. The impression in the community---

Mr Adams: On a point of order, Mr Chairman: I wonder if you could give me your advice. This is a very serious matter and I do understand that, but can you advise me personally of the situation we are in at the moment? We have a motion before us.

The Chairman: That is right.

Mr Adams: Is there unlimited time to speak to that motion and, if so, will we be arranging time for the other parties to speak to it? What is the normal nature of an occasion like this, when we have had notice of motion and we are considering it in this fashion?

The Chairman: The normal procedure is to keep in mind the amount of time that we do have. We had agreed earlier that we did want, if possible, to have a report from the subcommittee prior to returning and then maybe a vote, and I am sure that all members should keep that in mind. Mr Kormos, are you almost finished your remarks because there are a number of other people who want to speak?

Mr Kormos: I appreciate that. All right. We will move on from there. We will move on to the \$3,500 gift from the same Patricia Starr to the campaign manager of the parliamentary assistant to the Minister of Housing. The beneficiary of those moneys indicates that he perceived it as some sort of reward for good service, successful service to the parliamentary assistant to the Minister of Housing.

Mind you, he returned the money, but he returned the money some year and a half after it was received. Surely they were not the same bills, not the same cheque, or had not been kept in some sort of trust account pending the outcome of any inquiry. It had been used, spent, and this gentleman had to reach deep into his pockets---maybe he did not have to reach that deep---to come up with the \$3,500 to replace it.

We hear of illegal campaign or illegal political contributions to Mr Kwinter and, incredibly, we hear of an author of a letter, indicating that he wrote a letter to the then Solicitor General some two months ago---now it would be around two months and a week---in effect, and perhaps among other things, complaining about the illegal contribution in his name. We find---

Ms Collins: On a point of order, Mr Chairman: I am very sorry, but I just wish you would try to control this. If we were in the House, I am sure the Speaker would bring the member to order. You can say it has been alleged. The member has not heard from the Commission on Election Finances in regard to many of the things he has already mentioned. He continually says these things are illegal or uses terms that are, quite frankly, accusing in every manner. I would ask you to consider this the same way the Speaker would in the House and control the language of the member.

The Chairman: Mr Kormos, please do not allege---we assume that all members are honourable. I would appreciate it if you are using words like that to at least paraphrase them with the word "alleged" rather than come to a conclusion of guilty.

Mr Kormos: What we are talking about are alleged kickbacks. We are talking about people allegedly on the take. We are talking about people allegedly getting greased, getting payola, getting pieced off by close political friends.

Interjection.

Mr Kormos: I have acted for many criminals in my lifetime.

The Chairman: Are you planning on concluding fairly soon, Mr Kormos, because I know a number of members want to address your motion?

Mr Kormos: Mr Chairman, indeed you are quite right that we presume---is it "presume" or "assume"?---that members are honourable and it is in that particular---

Ms Collins: We presume.

Mr Adams: It is both.

Mr Kormos: Both presumptions and assumptions can be foolhardy ventures.

The Chairman: Mr Kormos, please, I would ask you to be less provocative and conclude your remarks so that I may let other people speak.

Mr Kormos: What we are talking about is indeed the honour of members of this Legislature. Ms Starr appears to be hiding out in Florida, or she is alleged to be in Florida. If she is in Florida, it would appear that she is hiding out. That is the only inference that logical people could draw because, let's face it, Florida in June and July is not exactly the ultimate vacation spot. I am told it is hot and humid there.

It is imperative that if members are interested in clearing the air, it is imperative that if members are interested in squelching the allegation and rumour and inferences that are being drawn in communities across the province about the impropriety of conduct—not just of Mrs Starr but of those people who acted in concert with her, of those people whose pockets were lined by her largess, her largess which was not, it appears, at any great, considerable personal expense to herself but at great, considerable expense to those people who in good faith donated money to a charitable cause, and that is really what is most repugnant about this.

1120

As I say, the web is ever growing which makes this motion all that much more urgent and Ms Starr's appearance before this committee all that much more urgent. We find out today that it is alleged that a staff person in the Office of the Premier had an apartment in the Patricia Starr building, the charitable housing project for the aged, the infirm and the needy.

It is also alleged that this lady who allegedly was a special assistant for appointments is allegedly not aged, infirm or needy—another beneficiary of the largess of Ms Starr, along with Ms Starr's own son who apparently is allegedly not aged, infirm or needy, who also has an apartment in the building, a building that enjoyed a provincial sales tax rebate of more than a quarter of a million dollars, which allegedly became some of the source of these political donations.

I suppose there are some members who are thanking their lucky stars that they never crossed paths or crossed stars with Ms Starr. Those people would be as interested as others. Those who were Starrstruck, I suppose, would be reluctant to have Ms Starr here spilling the beans, as it were. However, it is imperative that Ms Starr begin to answer some of the questions. The honour of members of this House is dependent on that.

The Chairman: Thank you, Mr Kormos, I have Mr Cousens and Ms Collins on my list.

Mr Cousens: I think that Mr Kormos makes a point. In his comments, I wish he had stayed exclusively with Ontario Place. I guess the problem we have is that there are many different dimensions to what has gone on here. I guess the most compelling reason to support this motion has to do with what the Premier himself has said. The Premier has made it very clear that he wants to get to the bottom of this whole matter.

My friend Mr Villeneuve and I, who have been talking about this, see this as probably one of the best ways we, as legislators, are able to quickly understand the degree to which Ms Starr has had involvements in a way that might not be consistent with government policy and former practices. How better to address it and resolve it than by having her come to this committee.

I think Mr Kormos's point is extremely valid. There is a great deal of perception out there that something is wrong, and the Premier has said most of all, "Hey, let's get to the bottom of it." I think that for once I am going to agree with the Premier and be strongly supportive of this.

I would like to add an amendment to the motion, if I could, and it has to do with one other dimension that went on at Ontario Place. Maybe the present mover would consider it.

Mr Adams: On a point of order, Mr Chairman.

The Chairman: I would ask you, Mr. Cousens, to give me that in writing so that I may have it photocopied and give it to all members. That is the procedure.

Mr Cousens: I am sorry. I will do that. It came through because it has to do with Ontario Place practices. I will just talk around it right now and then formally move it in a motion in a moment, if you will let me.

What I want to do is to review the hiring practices to see that they are consistent with government policy. That will just be added in there because there is some concern—it is not just that what we are limiting here is use of public funds; there are other government practices that I have reason to believe there might be problems with. I would not want to get into the specifics of certain people who were hired outside of the way in which they are normally hired, but I would like to open that up for further discussion, if we have the opportunity.

I do not know if anyone has ever considered whether Ms Starr will come to this committee or whether she has to come, because she is no longer employed by the Ontario government. I do not think there are any strings left, unless it is just through personal suasion that certain people would have over her, that would cause her to come. I hope that she would, but maybe the chairman has had a chance to think about this. Does she have to come in response to a request from us?

The Chairman: Anyone who is a citizen of Ontario has to appear before any committee of this Legislature, if the committee requests that person's appearance. Failure to do so would result in a Speaker's warrant, if the Speaker so agreed, and failure to comply then could conceivably be considered contempt. We have never had to go that far, although in the standing committee on administration of justice some years ago, we did have to threaten it. But I do not expect that anyone, including the person here mentioned, would not see the wisdom of complying with a committee of the Legislature if they were asked to appear before us. I assume all citizens want to obey a committee of the Legislature.

Mr Cousens: Thank you. I think that is excellent. It really would give us a chance to get to the bottom of it. I have other reasons. The standing committee on public accounts is an excellent committee, poised to look at matters that pertain to the practices of the government. We have a very difficult and onerous job when it comes to dealing with matters such as this.

I know it would be the case, certainly from our caucus, that great respect would be shown to all who are involved. It is a matter of dealing with the issues as objectively as possible and to get it on the table, to see if further action can be taken by this Legislature or if there needs to be a tightening up of procedures. The auditor will shortly be involved in Ontario Place. I hope he is there now and beginning to put things together. This will all tie together to the overall purposes of what we as legislators would want to have.

I have no desire to see any kind of hiding away from a problem or a coverup or an escaping from it, and I am sure our committee would not want to have that. So I strongly support it. I will put together a few words and—

The Chairman: Mr Cousens and members of the committee, it is in order at any time for a member to move an amendment to this type of amendment,

but I would like to have it in front of me so that I can—it sounds from what you said that it is in order, but I would like to have it in front of me—

Mr Cousens: That is fine.

The Chairman: —and the members of the committee have a right to have it in front of them.

Mr Cousens: I am sorry. It just did not come to me until now.

The Chairman: If you would take care of that as soon as possible, we would appreciate it. Meanwhile, on the main motion, Ms Collins.

Ms Collins: I appreciate the comments of Mr Cousens and I accept them for the way he put them forward.

First of all, I want to point out that our members as well are very interested in getting all the facts out. That is why there are five investigations going on at this time. The Solicitor General has asked the Commission on Election Finances to look into the matter, and there are the public trustee and the Ontario Provincial Police, which has already been mentioned. You are aware that the Conflict of Interest Commissioner is also looking into one aspect of it, and as mentioned, the Public Auditor is in Ontario Place now and has been there for several days, I understand. That was at the request of the Minister of Tourism and Recreation (Mr O'Neil).

There are all these investigations going on. We would like to see a fair process, and considering the comments that came earlier from another member of this committee, I guess I had my doubts whether this committee at this time can handle this in a fair manner. Our position is that this motion should be tabled until the Provincial Auditor comes back with his report from Ontario Place so that we can deal in facts and figures, and at that time we should consider the motion and decide whether or not it will be necessary to bring Ms Starr before this committee.

I have a motion to table this motion until the auditor brings his report back to this committee.

The Chairman: We have a tabling motion. Ms Collins, do you wish to hold off your tabling motion until we take Mr Cousens's motion and then table the motion as amended, or do you want to simply move your tabling motion now?

Ms Collins: I would like to table it now. Mr Cousens can bring that forward again at the time it is lifted from the table in the future.

The Chairman: Okay. Rather than use the word "table," I wonder if what we could say is that your motion is to defer a decision on this until—give us the words again.

Ms Collins: Until the Provincial Auditor brings back his report from his audit of Ontario Place.

The Chairman: We must deal then with Ms Collins's motion to defer immediately rather than simply addressing ourselves to the motion. On the motion to defer—

1130

Miss Martel: On a point of order, Mr Chairman: Before you continue, can we ask the auditor what the nature of his investigation into Ontario Place is going to entail, whether they will have the power to talk to witnesses and whether they think they would be better off hearing from Mrs Starr, because if Mrs Starr will not appear before them, we will have none of the benefits of whatever occurred under her tenure there.

The Chairman: We have a motion to defer, and it is perfectly appropriate for you to ask questions on that motion to defer to the auditor, so I will assume that is the first question to the auditor on the motion to defer.

Ms Collins: On a point of order, Mr Chairman: I have not put forward a deferral motion before. To the clerk, is a deferral or tabling motion debatable?

Clerk of the Committee: Yes.

Ms Collins: It is?

The Chairman: Yes.

Ms Collins: It is under the rules. Thank you.

Mr Carrothers: It is debatable only to the extent of the terms. Is that not right, Mr Chairman?

Ms Collins: Is it just instructions that can be debated or is it permissible to debate the tabling itself.

Mr Carrothers: I believe it is only the terms.

Mr Cousens: I just have to point out that it would seem that the honourable members of the government want to stifle debate even at this early point. I am really shocked and surprised at the question of my good friend Ms Collins.

Ms Collins: Mr Chairman, I asked a question because I am—

The Chairman: A question was asked of the clerk and I am going to—

Mr Cousens: Obviously, the question is leading to—it is really saying: "Don't listen to the opposition. Let's not discuss it. We want to go and hide."

The Chairman: May I ask our clerk to answer the question.

Clerk of the Committee: My understanding is that the motion may be debated.

Ms Collins: Thank you. That is what I wanted to know.

The Chairman: May be debated. That being the case, I would like to—

Mr Cousens: It could well be a motion by the government that does not allow debate anywhere for people to—

The Chairman: I would like to continue with the debate now on the motion to defer.

A question has been asked by Miss Martel of the Provincial Auditor and I am going to ask the auditor to respond to that. I see a flurry of hands and I hope to see all of you in the right order, but I will do my best.

Mr Archer: In response to Miss Martel's question, in the course of the audit that we are in the process of undertaking, we will be talking to anybody and everybody we feel can help us resolve the matters under review. I would suspect at this point that Mrs Starr would certainly be one of those. In my tenure as auditor, we have never had any problem with people refusing to talk to us, which I think is the suggestion you are making. I do not expect it would happen in this case, but if it did, we have certain legal avenues available under our act that we would certainly pursue. But at this point, we feel that, as in the past, people have been co-operative and have talked to us

Miss Martel: If I may, can I get an idea of the scope of what you are doing. Are you in there looking strictly for where money has gone? Are you dealing with hiring practices? Can I ask what the range of your investigation is.

Mr Archer: Our main thrust at the moment is to review the contractual arrangements that Ontario Place entered into during the tenure of the former chairman. However, that will mushroom out from that and get into a number of accountability issues. Who was in charge? Was it the chairman? Was it the general manager or was it the board and so on?

We have not at this point specifically targeted the hiring practices, but certainly if this committee wishes and if hiring practices have been a subject of Hansard, which we will certainly be reviewing very carefully to make sure we cover all concerns that have been raised by the members, and if hiring practices is one of those, we would certainly look at that as well.

Miss Martel: Thank you.

The Chairman: Just for the clarification of the committee, Mr Archer, your report was requested by a minister. Your report goes back to the minister; it does not go to this committee. Is that correct?

Mr Archer: Yes. The way our system works is that we would be making a report to the minister. In that way, it would be a parallel to the IDEA report. What we did with the IDEA report was to notify the leaders of the other two parties of the date we gave the report to the minister who had requested it. Through that mechanism, the opposition parties requested that the minister table the report immediately, which he did. That same process could be followed in this instance.

However, were the committee to pass a motion, simultaneously with our delivery of the report to the minister, that a copy be given to the standing committee on public accounts, we would certainly proceed on that basis.

The Chairman: Thank you, Mr Archer, for explaining the process. I have Mr Cousens. Is there anyone else? Mr Carrothers, did you want to be on the list? Okay. Mr Cousens.

Mr Cousens: No one is surprised that the government members of this committee were to even pursue the question on whether or not this tabling of a motion was debatable. In other words, by virtue of asking that question, they were really saying, "We just don't want to have any more visibility given to this matter, even in the public accounts committee which has a responsibility to the people of Ontario and to the Legislature, of just why we are here." It would present such discussion or debate.

I just have to say that I would hope the honourable members did not have that intention. It would be very nice if Ms Collins and the other Liberal members would just comment on that, because it smacks of the same kind of thing Mr Conway has tried to do in changing the rules arbitrarily in the Legislature. I do not want to see any way in which we start changing the rules and closing down this place so that there cannot be a full and public debate. Probably that is one of the best things that can happen here.

It may be difficult at times to take it. It is never fun even to give it. But it is something that has to be part of the process in which we are living. A democracy at its best does allow that kind of full, open and public airing of all matters. I believe in it. That is why I am here. I would hope no one is ever trying to take that privilege away from me or any other member at any time, even in this committee. If time is our enemy, we should extend the time so that we are allowed to have that debate. My next point is that—

Ms Collins: Would Mr Cousens like me to comment on that now, Mr. Chairman?

The Chairman: I beg your pardon?

Ms Collins: Would you like my comments on it?

Mr Cousens: Sure.

Ms Collins: Thank you. I think it is rather unfair to suggest that was my motive in asking—

The Chairman: I did have a list and I am not sure that—

Ms Collins: Well, he did ask a question and he asked for my comments. It is unfair to suggest that was my motive in asking the question. It was truly a question. I noticed that Mr Kormos was putting forward the position of his party and I waited until Mr Cousens had indicated that he wanted to speak on the motion before I indicated to you that I wanted to speak, so I was allowing both parties to put their positions forward before doing what I intended to do and that was to defer the motion.

I just want Mr Cousens to know that this is not a regular procedure that I use. It is the first time I have had to defer a motion at this committee. I have a municipal background where the rules are that if there is a tabling motion, it is not debatable and that is why I was asking the question.

The Chairman: Thank you for the explanation. Mr Cousens, perhaps you would carry on. I do have three other people on the list.

Mr Cousens: Yes. I will try to be brief. Does Mr Archer have any idea how long it is going to take him to complete this process? Just a couple of questions, on the duration it is going to take to do it, a difficult question but a range of time—short—of what your expectations will be, and when in that process you would be expecting to talk to Ms Starr.

Mr Archer: On the first question as to the length of time, I could not tell you right now. It will certainly be a number of weeks. I could give you a better fix in a week or two after we have got into it a little bit, but I am looking in terms of six weeks or so at this point. It is too early, I think, in the game for us to state at what point we would speak to Ms Starr or anybody. I think we want to get as many facts and figures before us as possible and get the best view possible of the picture before we talk to the senior people involved.

Mr Cousens: My final point is only that in view of the fact that the auditor would be dealing with Ms Starr during the process, we could best assist him in his whole evaluation by having her here. It leads to a better culmination of the opening up of all that has gone on at Ontario Place.

I will be voting against, in a recorded vote, I hope, this request by the Liberal majority to have this whole question tabled until such time. I think it is not in the best interest of Ontario, nor is it in the best interests of our really understanding what has gone wrong there. Therefore, I strongly support the member for—

The Chairman: Thank you. Before moving on to Mr Carrothers, I would like to ask the committee, unless I hear otherwise—I will be interrupting at five minutes to 12 to introduce the subcommittee report, the reason being that if that is not dealt with at that time, there will be very serious implications in terms of things we have to report to the House leaders and the agenda. I am going to recognize Mr Carrothers.

1140

Miss Nicholas: I understood we would be going at 11:45. Have you arbitrarily changed it?

The Chairman: We are going to deal with it before we have to go into the—I am suggesting that it can be dealt with in five minutes and I suggest that we deal with it at five to 12.

Mr Carrothers: I am glad we are making sure that the process of committee at least operates in some proper fashion. If I can just make a couple of comments, it is the concept of process, and a fair process, that is concerning me here. I think we all want to find out what has gone on here. We all want to get at what took place and get at the malfeasors. I am also concerned about a due process, and I think Mr Kormos would understand what that is.

I am concerned about all of the people peripherally involved with this, like the National Council of Jewish Women and all of these groups that are being dragged in here that probably have not really had an active role. That is why I am concerned. That is why I think, Mr Cousens, perhaps the reverse of your comment is true. It would be better to hear from the Provincial Auditor before we start speaking to Mrs Starr.

I would like to see us dealing with what did happen, focusing on what has gone wrong and finding out what took place rather than speculating and dealing and throwing the nets and talking about spiders' webs and all this sort of thing, because I think many people are being injured here who should not be and had nothing to do with this.

This is one of the reasons why I would like to see this deferred until we have heard from the auditor. I think that produces a fair process. It is not an attempt to avoid dealing with something. I think it is an attempt to focus in and get at what did happen so that we can get down to it and deal with it and not damage half the world in the process. That is why I will be voting in favour of this motion.

The Chairman: Thank you for being both direct and concise.

Mr Kormos: Now, I am speaking to this motion to defer, delay---

The Chairman: That is what is on the agenda.

Mr Kormos: ---suspend, suppress any questioning of Ms Starr.

Mrs Fawcett: I didn't hear all those.

Mr Kormos: What did this lady say, Mr. Chairman?

The Chairman: I am not in the position of recognizing interjections. Please continue with your remarks.

Mr Kormos: To suppress queries of Ms Starr seems to me—as a matter of fact, it gets a little bit more serious, because we do not have to use our imaginations a whole lot to understand what people who are caught holding the bag do when they are holed up in places like Miami and so on. They are not just sunning themselves. They reflect on what has been going down. They undoubtedly pick up copies of the Toronto Star and the Globe and Mail at the little corner smoke stores they have down in Miami that cater to the Canadian tourists and make sure people get those newspapers as timely as possible. They sit and reflect about what they will say in the course of inquiries.

The fact is, be it a mere process of cognitive dissonance or be it an outright effort to cover their butts, what they do is sit and reflect upon the concoctions they can generate in an effort to get their butts out of the wringer. The longer we wait as to a process of inquiring of Ms Starr about some of the allegations that have been made, the longer Ms Starr will have to get her story down pat.

The longer we wait—there are going to be some motors burnt out on those little paper-shredding machines. The smell of ozone that you get from one of those burnt-out electric motors is going to penetrate the air. It is an interesting odour.

The Chairman: I thought ozone was only in refrigerators, not shredding machines.

Mr Kormos: Freon. When your fridge motor breaks down, you generate ozone as well.

Mr Adams: In neither refrigerators nor in the products of the

devices Mr Kormos is talking about. Ozone is a rare gas. It is O₁. I think Mr Kormos should be more precise.

The Chairman: Thank you for your---

Mr Kormos: But those little motors on those paper shredders---And they have them down in Miami, too, and they have them up in North York and all over the place.

Mr Carrothers: Do they have them in NDP offices, too?

Mr Kormos: I have never owned one or used one. I have never had occasion to.

They are going to be working overtime. We are going to be seeing incredible high draws on those little Hydro meters outside these people's homes and offices. The longer we wait to make inquiries of Ms Starr, the more sanitization is going to occur on the parts of people.

What is always interesting is when you see contrasts between versions of the same event. Oftentimes people are told that slight differences between versions of the same event---perhaps the placement of a particular object---or minor variations are natural, they are human nature, because all of us perceive things in slightly different ways. But when you start looking at major contrasts between versions of the same event, for the people doing any sort of forensic inquiry, including auditors and accountants, their antennae start perking up and it starts generating some interest.

They may be press reports, but we have a pretty competent press here in Toronto. When one looks at one incident, like the incident of the member for York Mills (Mr J. B. Nixon) and the \$3,500, and one sees two versions of the same incident---one from the beneficiary of the three and a half Gs and the other from the parliamentary assistant, the member for York Mills, who recalls the incident---one sees such contrast, as I say, that the antennae go up and you realize that both cannot be true, because they conflict with each other so thoroughly; maybe neither version is true, but the passage of time, the opportunity to share recollections, the opportunity to reflect upon the fact that one's butt is in the wringer motivates people to sanitize versions of incidents.

As I say, it is not always a purposeful effort to obstruct or suppress the truth. Sometimes it is that process called cognitive dissonance and the fact that our recollections of things so often tend to be self-serving.

But it is imperative that if the truth is indeed sought---I will tell you quite frankly, Mr Chairman, I am surprised that Ms Starr would not have already contacted you or the clerk in an effort to arrange this attendance already. I know 416 is busy, but surely an operator assisted call could easily have been made. Really, Ms Starr must be looking at her Globe and Mail and her Toronto Star down there in Miami at the Fontainebleau or wherever it is she holes up---

Mr Carrothers: You even know the hotels there.

Mr Kormos: Yes. I have seen the old gangster movies. I know where---

Interjection.

The Chairman: Only lawyers and doctors can afford to stay at the Fontainebleau, Mr Carrothers.

Mr Kormos: She is holed up down there and she has got to be reading these newspaper reports and saying: "My God, these people were friends of mine. These people said good things about me at dinners. The Premier and all other sorts of high-powered Liberals said all sorts of impressive things about me. They gave me jobs. They made me chairman of Ontario Place."

Miss Nicholas: Is this on the motion?

Mr Kormos: Yes, it is.

Mr Adams: Mr Chairman, the point of order was addressed to you.

The Chairman: It was not addressed as a point of order. If I have a point of order, I will deal with it, Mr Adams. Right now Mr Kormos has the floor and I would ask Mr Kormos to keep the clock in mind.

Miss Nicholas: I bring a point of order.

Mr Kormos: Yes, Mr Chairman, speaking to the motion to defer and why it is imperative that this matter not be delayed but be addressed properly.

1150

She is sitting down there saying: "These people have helped me so much. They've been my friends. They've been guests at my House of Chan up on Eglinton Street West, north side, and I've let them down. There've been incredible misimpressions generated by what I've done, and I owe it to these people, because, after all, they've given me so much. I owe it to these people to help correct the record. I owe it to these people to help clear their names. I owe it to these people to correct the misimpressions that have been generated by the reporting of the facts by the press."

That is why I am surprised that she would not be here. Maybe it is simply a matter of a lack of communication. Maybe it is a simple matter of letting her know that she is welcome. I have a feeling that there might have been some phone calls made to the Premier's (Mr Peterson) office, and the Premier was not available; he was in conference or in a meeting. What a striking contrast to days gone by, so maybe her feelings are hurt, and she should have an opportunity to get up here and set the record straight. Otherwise, the inferences that are being drawn in the community will be sound inferences: inferences that there have been kickbacks, people on the take, grease and payola, corruption permeating the government. Those inferences will be sound inferences without Ms Starr having the opportunity to comment on them.

Anybody who would advocate a deferral of this matter is interested in nothing more than generating more time for those people whose butts are in the wringer to concoct versions that are going to sanitize the series of events, and in generating more time for Ms Starr to sit down there or wherever she is to sanitize her version and get the paper shredders working double time.

Ms Collins: How can you even suggest that, when you know there are five investigations going on right now? She is telling her story, and she is going to have to, to the public auditor and all the other investigative bodies that are looking into it.

The Chairman: Would all members address themselves through the chair?

I would like, at this point in time, to recognize Dr Graham White in our gallery. Dr White has been a clerk of this committee for a number of years, has had a lot of influence on public accounts procedures in Ontario and is now a guru at the University of Toronto. No doubt he is watching the committee with great interest to see whether all his hard work and writings have had a positive influence on the highly nonpartisan nature of this committee.

Mr Villeneuve: In addressing the deferral motion, it makes me wonder very much why this committee exists, its raison d'être, if it is not to do exactly what was requested in the original motion. The deferral motion will continue the allegations.

When we question in the Legislature, the Premier says, "These are all allegations." We are all elected people here, and many of us who are elected have been named. Let's clear the air, the quicker the better. The Premier wants it. I am sure the people whose names have been mentioned want to clear the air. The deferral will be a minimum of six weeks by the auditor, and maybe longer depending on how complicated the web is.

And when the report is submitted, is it possible that this report will go the same direction as the one that was done pertaining to the former Solicitor General? A report apparently exists and is not available for anyone to look at. It makes me very concerned. The reason this committee exists is to get this out in the open. Let's clear the air.

It is not only Liberals; we hear names of Tories. Let's get it out here. Let's find out who, where, when, why, how much. A minimum of six weeks, to me, is too long. We are going to continue to deal with allegations. The Premier wants it cleared up. Some people's names are mentioned on a daily basis, and it is going into names I do not know but maybe other people in this Legislature know. As I read this morning in the Globe and Mail, again allegations are being made, continue to be made. Let's bring Ms Starr to this committee; the reason this committee exists. We as elected people have to answer to the public. We cannot live on allegations. Let's get her here.

The Chairman: Miss Martel says she wants one minute, and then I am going to give Ms Collins a minute to sum up. Then, if it is the pleasure of the committee, we can take the vote on Ms Collins's motion.

Miss Martel: In dealing with the referral motion, I cannot understand why the Liberals would hang their hats on the report the Provincial Auditor is going to give us, a report that I take it is going to look strictly at questions of propriety at Ontario Place. In reading the notice of motion put forward by my colleague last week, the only reference to Ontario Place was in the title of Ms Starr's occupation, chairperson of Ontario Place.

We asked for a look at the alleged use of public funds for partisan political purposes, not only at Ontario Place but across a whole broad spectrum; allegations about HandiTransit, allegations of public funds going into other members' ridings for whatever purposes during election time, etc.

To say that we are hanging our hats on getting a report from the auditor concerning Ontario Place really, if we cut through all the crap, is only a way of deferring this indefinitely, because what he is going to tell us is not what the motion says or what we want to get at.

Also, in terms of the five investigations that have been listed, this question must be raised. How are some of these investigations going to change the laws we deal with: (a) the election expense law; and (b) changes which I think are going to be required in terms of the political appointment process around here if we are going to keep the integrity of the system at the top of our minds, which I am sure it is?

There is a question here of the conduct of members, which is not going to be looked at in any of those five investigations. There is a large web here which involves not only questions on Ontario Place, which the deferral motion dealt with, but also on the use of public funds across a wide spectrum.

To say that once we get the auditor's report that may solve some of our problems and then we will continue, in my mind really is only a tactic to stall it further, because what he is going to give us is not what we are asking for or what we need to look at to clear the air of this whole issue.

The Chairman: We have had a fairly thorough debate of the motion and the deferral motion. Ms Collins, briefly, on the deferral motion, and then we will take the vote.

Ms Collins: It is my understanding that the Provincial Auditor, under legislation, can investigate any number of areas where there is public funding involved, and he can report in his annual report or report back to the committee. It has already been said that he also has the power to talk to anyone he wants in order to get information. I think that has been made very clear, so it is not as if the Provincial Auditor will not be questioning Ms Starr or other people who have been involved in this with regard to Ontario Place or other things he may look at.

We are just asking that there be a fair process in that we deal with the facts. We believe the auditor will look at what is going on in Ontario Place, bring all of those facts back in a report and at that time we can deal with a motion and decide what actions to take.

The Chairman: Ms Collins has moved that the committee defer its decision on the motion of Mr Kormos until the Provincial Auditor brings in the report on his investigation. Shall the motion carry?

Miss Martel: A recorded vote.

The Chairman: A recorded vote has been requested.

The committee divided on Ms Collins's motion, which was agreed to on the following vote:

Ayes

Adams, Carrothers, Collins, Fawcett, Nicholas.

Nays

Cousens, Kormos, Martel, Villeneuve.

Ayes 5; nays 4.

Mr Cousens: Mr Chairman, without debate, could I place a resolution for future debate and cause it to be moved? I give this to you:

"That the Provincial Auditor immediately conduct an audit of the process used to award a Ministry of Housing consulting contract to Dino Chiesa. The audit terms of reference should specifically include, but not be limited to, an evaluation of the competitive acquisition procedure, fair access for vendors of consulting services, treatment of vendors, assignment substantiations, with documentation such as Management Board approvals."

I defer any discussion on it until—

The Chairman: We accept that as a notice of motion. It will be debated next week.

ORGANIZATION

The Chairman: I would ask that the members of the committee take a look at the subcommittee report. In looking at schedules, your subcommittee kept in mind the fact that members of this committee are also on the standing committee on the Ombudsman, which is requesting sittings on 18 September and 25 September. Unfortunately, we do have a problem now: We understand the Liberals are having a caucus meeting. I am going to ask Ms Collins to address that, but I wonder if we can look at each of the other items, then deal with that. I am sure we can work out some kind of arrangement that will be acceptable to all members.

"1. Your subcommittee met on Wednesday 21 June 1989 to review the schedule of business and certain matters." I will drop to item 3.

"3. Your subcommittee advises that, pursuant to the order of the committee dated Thursday 25 May 1989, it has reviewed the draft of the first interim report 1989 and has approved the report for presentation to the House."

You will recall that we had reviewed the report and made a number of changes. There were a couple of minor changes which we referred to the subcommittee. That has now been dealt with. Does that meet with your approval?

Carried.

"4. Your subcommittee recommends that a luncheon meeting of the committee be scheduled on Thursday 29 June 1989, and that Wendy MacDonald be invited to attend as our special guest," and also that Doug Arnott be invited to attend as our special guest.

Does that meet with your approval? Members of the subcommittee will be contacting you with further details of that meeting for next Thursday.

"2. Your subcommittee recommends that authorization be requested for committee meetings during the summer recess as follows:" First, that members of the committee attend, as usual, the annual conference of the Canadian Council of Public Accounts Committees. This will be held 9 to 12 July. Does this meet with your approval?

Carried.

I am now going to ask Ms Collins as a member of the subcommittee to address the next item.

Ms Collins: After agreeing to these three weeks, it came to my attention that we will be holding our Liberal caucus retreat the week of 4

September. Normally all three caucuses have their retreats at the same time, so I do not know if it applies to all three parties.

The Chairman: I would imagine that that would be the case.

Ms Collins: Perhaps at our lunch meeting next Thursday we can discuss another week that would be suitable.

The Chairman: I would like, therefore, to recommend to the committee that the subcommittee reconvene some time during the next few days to draft a further proposal concerning summer meetings. We will report back to you.

There being no further business before the committee, we stand adjourned until 10 o'clock next Thursday.

The committee adjourned at 1203.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

HIRING OF HOUSING CONSULTANT

THURSDAY 29 JUNE 1989



STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Fawcett, Joan M. (Northumberland L)

Nicholas, Cindy (Scarborough Centre L)

Nixon, J. Bradford (York Mills L)

Villeneuve, Noble (Stormont, Dundas and Glengarry PC)

Substitution:

Martel, Shelley (Sudbury East NDP) for Mr Charlton

McGuigan, James F. (Essex-Kent L) for Mr Ballinger

Clerk: Arnott, Douglas

Staff:

McLellan, Ray, Research Officer, Legislative Research Service

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 29 June 1989

The committee met at 1009 in room 151.

The Chairman: I call the meeting to order. I recognize a quorum.

We have a motion by Mr Cousens which was tabled last week as a notice of motion and it will be debated today.

At 11 o'clock I would like, if possible, to go in camera to review the draft recommendations on government advertising and also to receive, through Ms Collins, a report of your subcommittee.

Mr Cousens, we will now have your motion.

Mr Cousens: You just said "at 11 o'clock," but it is 10 o'clock that we are having my motion. You just said 11 o'clock.

The Chairman: At 11 o'clock, we are moving in camera.

Mr Cousens: That is fine, it was just from what you said, but according to the agenda, I am on now.

HIRING OF HOUSING CONSULTANT

The Chairman: Mr Cousens moves that the Provincial Auditor immediately conduct an audit of the process used to award a Ministry of Housing consulting contract to Dino Chiesa, and that the audit terms of reference should specifically include, but not be limited to, an evaluation of the competitive acquisition procedure, fair access for vendors of consulting services, treatment of vendors, assignment substantiation and documentation such as Management Board approvals.

Mr Cousens: We are in a context in which an awful lot is going on and the larger context requires substantiation of something that is going on within a small teacup within the larger whole.

I know there are many questions we will not get answers to through this motion, and I have no way of proceeding for those answers. What value do we get for \$250,000 in the hiring of some such person as has been brought into the Ministry of Housing? We are not going to be able to prove that or really get to the bottom of it. I do know that from where I sit, \$250,000 over two years for any person is an awful lot of money. It strikes me as something that the public will want to know, but there is another way of having that accounting.

So there is really a whole set of questions around this matter. Who influenced whom in order to get the job? It comes down to the fact that many months before Mr Chiesa was given the job, in fact on 19 September, in the Globe and Mail, Michael Valpy was able to indicate, "There are rumours within the development industry that Mr Chiesa, who has considerable experience both in private industry and is a former Toronto project manager for Canada Mortgage and Housing Corp, is about to go to work for Ms Hosek as an adviser."

Therefore, long before this announcement was made that he had been given this assignment, there had been rumours that he was going to be getting the job. Therefore, it begins to make one say: "To what extent was it an open process? How open was it? What opportunity did others, who might also be very qualified for the opportunity, have to get the job?"

I want to say one thing here right now. It may well turn out that Mr Chiesa is the most qualified and the most capable to do the job. Should that be the case, anything I have said today should not exclude that possibility. It may well turn out that there is just nothing to this, and if that is the case, then all we will have done is guarantee that the system is working. But I have to say, in my reflection of what has happened, I have my doubts.

In politics there is a little motto that we have, that perception is reality. The perception is that a newspaper writer in the Globe and Mail, four months before this position was dealt with, reported that a certain person had been rumoured to get it and then he gets it, and it is worth more than any other contract I have heard of that has been dished out by any ministry of the government in the last couple of years. If there were a lot of others, I will love it if the auditor can just tell me who they are, because I would like to have some investigation into them as well.

This is a big contract. It is not just another run-of-the-mill one where, within the ministry, they have certain dollars to allocate to do certain things. These are huge dollars we are talking about. Because we are dealing with billions of dollars in the Ontario government budget, some people might become hardened to the fact that we are talking about \$250,000. I see that as a large contract and, therefore, all the more reason for us to look into it. If we are all agreed that it is a big dollar, then we better be all agreed that we want to be certain that the perception around the assignment and the selection of this person is totally clean, that there is no chance of there being any kind of fallout in the future.

I am worried about a number of things that happened. I know that in the last few days we have had the Premier (Mr Peterson) turning around, checking with the twice-removed Solicitor General, the member for Kingston and The Islands (Mr Keyes), to see if something happened. Then he has to get a flick of the eyelashes from the former Solicitor General, the member for London South (Mrs E. J. Smith). So within three years, we have had situations already. When I sit on our side of the House, I have seen the Premier looking to Mr Keyes and then to Mrs Smith to see if something had really gone on.

Likewise, we have had the situation in the last few days in which the former Minister of Housing, the member for Scarborough North (Mr Curling), is being challenged about certain things that he did having to do with Ronto Development Co and his relationship with Ms Starr, and so then he is having to defend himself. You can see a picture of him in the Toronto papers today and in the interviews last night. He is trying to defend his actions at that time.

Ms Collins: Speak to the motion.

Mr Cousens: This is all part of the motion. The fact of the matter is, I think you are going to see changes again. The present Minister of Housing (Ms Hosek) could well be moved out of her office very shortly and you are going to again be removed from all the context that is going on. To me there are a number of questions. Was there a fair competition for this award? I am not satisfied, from the information that I have been given and by the previous leaks that Mr Chiesa was going to get the job, that there was a fair competition.

Were all procedures followed in this job hunt and this job situation? I have not any idea that there is a clear-cut job definition. I have no idea how the salary was decided for this position and whether or not it is a fair and equitable salary. It probably falls in the guidelines that we have in this province, but that whole process may be something we should be reviewing as a public accounts committee because if there are many others who are receiving this kind of a two-year contract, there have to be a few people making money that I am not very happy about.

I would also be very concerned and interested in knowing that all approvals and signoffs in the job description, salary planning and everything else that went into this had been done according to the procedures laid down by Management Board in Ontario. I would like to make sure that there was every opportunity for other people to apply for this job, and that goes back to whether or not it was a fair competition. I would like to see that there is a good substantiation on why this individual was selected and I would also like to know that Management Board has approved of it.

There are Management Board rules that are to be followed in the assignment of people. I have reason to believe those rules have not been followed totally. I have a copy of those guidelines and if there are questions further on, I can open that up. It has to do with Management Board directives that I believe were not followed. To me, there was no advertising for this job and there was no tendering for this job. We have now placed a person in a position to make \$232,000 in a two-year contract. That is an awful lot of money to do a job, especially for someone who is linked with the Minister of Housing as a contributor towards her campaign funds and someone who was part of her organization team to become an elected person.

These things also cloud the issue and make one wonder whether or not the process is as clean as it should be and as we all want it to be as legislators. This is not a big motion, but it is one in which the auditor can carry out this review and in the fall and in the fullness of time he can come back and report to us. I am not asking that anyone be brought in here. I think it will be a chance for the system to be shown that it is clean and proper right now, and if it is, three cheers for everybody. If there are problems to it, let's at least know what they are and then we, as legislators, can do something about it.

If Mr Chiesa is reading these remarks, I have nothing against him personally—I have sat on a panel with him—but I want to make sure that we have a squeaky-clean situation here. It squeaks of something else right now.

The Chairman: I only have Ms Collins on my list. Is there anyone else who would like to be put on the list to speak to this motion? Mr Pouliot and Mr Villeneuve. Okay. Ms Collins, you are next.

Ms Collins: I am sorry; I did want to allow Mr Pouliot to put his position forward before I respond.

1020

Mr Pouliot: I have listened to every word that my colleague Mr Cousens said and I read carefully his notice of motion. I find the motion somewhat vague, but I share in his sentiment and of course echo the sentiment of the Premier that, "We need to get the bottom of this." I do not dwell easily or happily on cesspools, but I find a certain solace that people like Machiavelli had to leave Florence for far less than this. It seems that every

time you open the newspaper you find something which is not conducive to good political order, which taints people from all political parties, all distinguished colleagues.

I do not think this point is taken very well, but I refer myself to the mandate of the committee: Are the people of the province getting value for their tax dollars or value for money? With that focus in mind, I think it does warrant an inquiry or an investigation by our Provincial Auditor. That is the mandate. The mandate is very, very simple. It is not a witchhunt.

Mr Adams: We say witch or wizard nowadays—no gender bias.

Mr Pouliot: One second, please. It is not designed to uncover things that we do that are out of the ordinary. Very few people have anything to hide when it comes to value for money, when it comes to the mandate. The thing is we are all interested, I am sure, in finding whether the taxpayers' dollars have been spent adequately. I think if we just keep with that mandate, it becomes very clear that the need to protect this, the need to do that, to have party tactics and strategies, really does not apply. It does not apply. The taxpayers of Ontario are taking their hard-earned dollars collectively, paying their fair share of taxes, and they want peace of mind. They want to make sure that this money is well spent.

My colleague Mr Cousens points out that there are questions here. Was the taxpayers' money well spent? The allegations—and heaven permit that they be only at that level; that they be only allegations and nothing else—have put a responsibility on the committee: the responsibility to assure and reassure people that their hard-earned dollars have been well spent. Therefore, obviously, I speak in support of the resolution.

The Chairman: I believe a historical argument can be made that the reason Machiavelli left Florence was that he made the mistake of switching political parties and was not trusted by his new masters.

Mr Pouliot: It took some years to get those contracts back.

The Chairman: Yes, it certainly did.

Ms Collins: We agree with the motion that has been put forward. We think a number of fair questions have been raised and we also think a number of those questions have been answered in the House. I think it is important that we ensure the system is working. Like Mr Cousens, I have had the opportunity to meet Mr Chiesa on only one occasion. In fact, he came into the city of Stoney Creek where we have 900 acres of government-owned land and we were having several problems getting the development moving in terms of the blocks that were being put through the official plan process.

I must say he was extremely helpful on that occasion in getting things going. It is hard to determine value for money in a situation like this, but I guess you have to see what work is done to determine whether or not taxpayers are getting value for their money. We do agree with the resolution as put forward and we will be supporting it.

Mr Villeneuve: I was a little concerned, but I think Ms Collins has just reassured me. There was a motion last week, and this is totally different from last week. Last week we were asking to bring a person before this committee. As we all know, we are to some degree political animals here in spite of trying to be nonpartisan on the public accounts committee. Here we

are simply asking the Provincial Auditor to do the very task that he is here to do: establish value for money.

I do not know Mr Chiesa personally, but there is a perception of a cloud there. Let's clear it up. I am very pleased that you support my colleague's motion, as I do, and I think it will finally come out in the end, exactly where it should be, and rest with the Provincial Auditor, who will do a totally unbiased search into the problem.

The Chairman: I do not have anyone else on my list. May I take the vote at this time? Shall the motion carry? Carried unanimously. Let me check that out. It sounded that way.

Those in favour please say "aye."

Those against, if any, please say "nay."

The ayes have it unanimously.

Motion agreed to.

The Chairman: Before we go in camera, I understand there is a notice of motion. I do not have it. Miss Martel, do you want to read it and then hand it to the clerk?

ONTARIO PLACE CORP

Miss Martel: The notice of motion reads as follows: "That the report of the Provincial Auditor into Ontario Place be tabled with the standing committee on public accounts at the same time as it is tabled with the ministry."

The Chairman: It is a notice of motion, so you will receive a copy and it will be debated next week.

Miss Martel, did you wish to speak to that at this point? The rules are that on a notice of motion the mover of the notice may address the committee very, very briefly and then there will be no further debate by any member, other than points of order, of course, on that particular motion, until the following week. Miss Martel, do you have any comments or do you wish to make them next week?

Miss Martel: Very briefly, we had some discussion last week on a motion that had been moved by my colleague Mr Pouliot two weeks ago, a notice of motion which we debated last week. There was some discussion as to whether, at least from our side, the report from the auditor would answer some of the questions or indeed all of the questions that had been raised by Mr Pouliot; that is, the disbursement of public moneys by one Ms Patricia Starr.

The auditor, at that time, after I questioned him, outlined what the scope of his investigation would be and also mentioned to the committee that the particular report could be tabled with this committee at the same time it was tabled with the minister.

The motion that was moved by the Liberals at that point was to defer any further attempts to have Mrs Starr before us until such time as the report from the auditor on Ontario Place and his investigations was made public. That ended up, of course, being moved and also that motion was won in here.

At this point, I am requesting that we do get that report as soon as it is made available by the auditor to the minister so that, indeed, we can see what it says and make some determination from there as to whether it answers the questions raised by Mr Pouliot or whether we should again look at having Ms Starr before us to answer other questions surrounding disbursement of public funds.

The Chairman: Just for the information of the committee members, some of whom are new, if a ministry requests an audit of the Provincial Auditor, it is not necessarily sent here. It is only if the committee requests it or if the minister wants to send it that it becomes a ministerial document.

Mr Cousens: If there were unanimous approval by the committee, we could deal with this motion now. Certainly, our party would be prepared to give that consent so that we could deal with it this morning.

The Chairman: If there were unanimous consent to deal with it now, that is a procedure which is allowed. Is there any dissenter to the unanimous consent? There is a dissenter and, therefore, it will have to be dealt with next week.

Is there any other business that any member wishes to raise in public before we move in camera? Fine. The committee will move in camera for discussion of our report on advertising and for a report by Ms Collins from the subcommittee.

The committee continued in camera at 1030.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

ONTARIO PLACE CORP

THURSDAY 6 JULY 1989



STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Ballinger, William G. (Durham--York L)

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Cousens, W. Donald (Markham PC)

Fawcett, Joan M. (Northumberland L)

Nicholas, Cindy (Scarborough Centre L)

Nixon, J. Bradford (York Mills L)

Villeneuve, Noble (Stormont, Dundas and Glengarry PC)

Substitutions:

Cureatz, Sam L. (Durham East PC) for Mr Cousens

Lipsett, Ron (Grey L) for Mr Adams

Martel, Shelley (Sudbury East NDP) for Mr Charlton

Clerk: Manikel, Tannis

Staff:

McLellan, Ray, Research Officer, Legislative Research Service

Witness:

From the Office of the Provincial Auditor:

Archer, Douglas F., Provincial Auditor

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 6 July 1989

The committee met at 1014 in committee room 151.

ONTARIO PLACE CORP

The Vice-Chairman: With a great deal of reluctance, I am sure that some people can find some time to recreate and socialize, the meeting will now come to order. It is the understanding of the chair that Mr Cureatz will be representing the Conservatives and will join us in short order, but we have his acquiescence that we can go ahead.

The first order of business this morning is the debate on a notice of motion that was presented by Miss Martel. Is it the pleasure of the committee that we take about one hour before we have a ten-minute recess so we can kindly ask the cameras to be removed, and then go with ??311 of the Auditor's Report.

~~no comment - no call to order - no debate - no motion~~

...1015 follows...



[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Ms Collins: Hopefully, it will not take one hour, but perhaps we can proceed and see how it goes.

Miss Martel: I do not think it is going to take that long, but in any event members will notice that the motion has been changed slightly in terms wording from that which I presented last week. The reason for that is when the clerk went through the actual wording of it she discovered we could not request in the manner I had made the request originally. So she talked to me two days ago to say that she had, with the clerk of this House, revised the wording to say about the same type of thing, but outlined again what the reasons were for changing. If there is anyone who has any questions who has any questions further about that you would probably want to ask her.

Ms Collins: I have one copy of a motion and I do not know if this is the revised version or not.

Miss Martel: I can read it into the record in case you do not have the right one.

Ms Collins: That would be helpful.

The Vice-Chairman: Miss Martel moves that pursuant to section 17 of the Audit Act, the standing committee on public accounts requests that the Provincial Auditor conduct a comprehensive audit of Ontario Place Corp, including an in-depth review of the corporation's management decision-making processes and that this report be tabled with the committee.

Miss Martel: Now, it may be that people would want to check with ??her or that the clerk herself can actually outline the reasoning behind it, but I was advised that it would do the same thing that I wanted, which was in fact have a copy of the report tabled in here at the same time the Mr Archer tabled his report with the minister.

The purpose of the motion is really to follow-up from the discussion that went on in here two weeks ago concerning at that point having Mrs Starr come before this committee so that she could be questioned in terms of expenditure of public funds. We had wanted a broader look at that whole question, not solely with relation to Ontario Place, but with the expenditure of public funds that allegedly occurred with ??Handi-Transit etc.

Now that was voted down but we were told at that particular point in time that the auditor could in fact release a copy of his report if this committee so chose to ask him to do that. I think that if we are going to see that report at the same time as the minister does, the best thing for us to do would be to move and vote upon this motion to ensure that we, as a committee, get to see that report.

I would hope that from there, dependent upon what is in the report, we can make another decision whether or not we think that our concerns related to Mrs Starr have been appeased, recognized or that in fact at that point in time

we should move another motion to have Mrs Starr before us, if indeed there are things outstanding with the Auditor's Report.

Again, the reason is to ensure that when Mr Archer and his team's work is done at Ontario Place, this committee will receive the same copy of the material that will go to the minister in that regard.

Ms Collins: Perhaps Miss Martel would like to correct the record. I think she just said that the motion that was brought forward was voted down, which it was not, it was deferred to a later date. I think there is a great deal of difference between voting something down and deferring it.

Miss Martel: If I might, I will correct the record and say it was not voted down. I will not say that it was blocked or anything else, but indeed Ms Collins is right. It was not voted down. It was deferred to a later date in hopes that the report from the auditor would answer some of our questions.

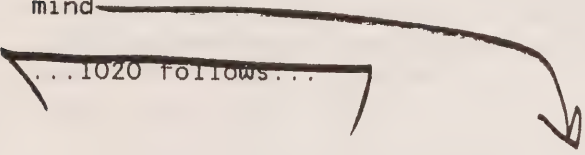
The Chairman: Thank you for not using the word sabotage, Miss Martel. Any discussion on her motion?

Ms Collins: You did assure us, Mr Chairman, that you would be fair and objective today and I hope that you will stand by what you said. Our members agree with the motion. We do not really have a problem with it. It is redundant in some ways. The minister, I am sure, would have tabled the report of the Public Auditor and it would have been referred to this committee in any event. But if members feel that the auditor should at the same time table the report here, that is just fine with us and we are willing to support the motion.

The Vice-Chairman: Any other members wish to take part in the debate?

Mr Cureatz: Well, just to be brought up to date on the last 30 ??sessions, being drawn into this. It is so much fun and excitement. I want to say, of course, that I support my colleague's proposed motion. It brings to mind

...1020 follows...



1020

[REDACTED]

[REDACTED]

Mr Cureatz: [REDACTED]

[REDACTED] and I am no doubt looking forward with great anticipation for my Liberal colleagues' support on it because I know—

Mr Cureatz: Mr Balinger, if I would have known you were here I would not have spoken. You could have spoken for both of us.

Mr Ballinger: I am just waiting to see how you would respond before we retaliate.

Mr Cureatz: It only brings to mind, just in comparison, after my first election, if my memory serves me correct, around 1978—

Miss Nicholas: Another history lesson.

The Vice-Chairman: No debates please.

Mr Cureatz: No no. This is true. This ties in. This is history, this is in-depthness. We had a similar interesting turn of events at Ontario Place when the Conservatives were in power. Yes my own little humble party all of which though I was in the back bench and as I looked across from me, similar to the position of what I see some my Liberal colleagues then. What happened to that particular situation at Ontario Place. If I remember—and I am sure it was around that time—I am sure there will be someone that will correct me. Mr Archer, you were not around then. Were you around at that time? No, it was the other fellow.

Mr Miller: Mr Scott.

Mr Cureatz: Mr Scott that is right and the fellow that did a number with the gold. Remember that one?

Mr Archer: Yes.

The Vice-Chairman: Mr Cureatz, if I may with respect.

Mr Cureatz: I am drawing comparisons. I have always been nice to you.

The Vice-Chairman: You distinguished colleagues have this uncanny ability to focus quickly. I am sure that, as we hang on every word, that it has a great deal of relevance for the motion moved by Miss Martel.

Mr Cureatz: That is right it has. I am just trying to draw a comparison because I can remember Mr Scott who was then the Provincial Auditor had before this committee some of the concerns. I just forgot the details but the fellow that was doing the contracts for the entertainment was writing up higher contracts than what the contracts actually were, taking the extra money and buying gold with it. At it turned out, strangely enough, the gold had

increased in value so when they finally caught with him, they got most of their money back any way because what he had taken with the extra contracts, the gold had increased. I think it went off to Sweden or Switzerland or something.

Here we are, strangely enough, some of you Liberals, the older ones, of which I do see anyone that is an older sitting member, you would think you would do some research, you could have great fun with that one way back when when the Tories were in power, well here we are back at Ontario Place. There must be a little cloud hanging over Ontario Place, you know with all the—

I went over there, the PC caucus had, over at Lakeshore Road their party, hamburgers again. I can remember when we used to have steak. I walked over, I will tell you could roll a bowling ball through that place. Now, I am sure the population has increased. I do not think it has anything to do with the present concerns. But in a comparative note, I can remember full well sitting oin this esteemed committee way back when. We actually had the new person in charge who found out what was going on. I remember him, I doubt if he is around there any more, it has been quite a quite a while stout fellow and who was put in charge of entertainment. He brought forward how stumbled across it and corrected it and what his recommendations were. Now, Mr Archer, you as I understand it, will be doing a similar kind of investigation at Ontario Place in terms of the bookkeeping. Although, I guess, in this case we do not know particularly what aspects have taken place whereas in the previous case the information had—

Mr Ballinger: Substantial evidence. We will find out ?? shredder that the auditor, according to this morning's paper cannot even find.

The Vice-Chairman: Mr Balinge, will you ?? next ??

Mr Ballinger: I might just be, depending on which road Mr Cureatz goes down.

Mr Cureatz: I mean because the motion has been brought forward by my esteemed colleague the member for Sudbury-East (Miss Martel), I have no other alternative but to support her because of course our party and their party have always been known except for a little laps in memory around 1985, we have been supportive of each other.

Miss Martel: I was not here then.

Mr Cureatz: No, that is right, we cannot blame you on that one, but if we want to do that we can still blame you. So the long and short of it, I would think it would be very worthwhile for the Provincial Auditor to delve into the intrigues of Ontario Place. Once again it seems like every decade this happens. So we can look forward to the end of the 1990, whomever is in power then. Maybe it will be a good year fortune in your party to be worried about Ontario Place at that time. I am not going to hold my breath though. In any event, we on our particular caucus will be supporting the motion. At some future time, I guess there is no anticipated date when this is all going to happen and come back before the committee. I suppose not. Is there Mr Archer?

Mr Archer: I would not to name the date but it will be a number of weeks.

1020

The Vice-Chairman: Mr Balinger?

Mr Ballinger: No further comments.

Interjections.

The Vice-Chairman: Yes the auditor does get a chance. We have ample time to welcome Mr Archer's comments.

Mr Archer: I am just a little concerned, when you read this motion in isolation it sounds like yet another separate request that the auditor conduct a review whereas I think the intent is that we do what we have started out to do and just make sure that when we report the committee gets a copy. I would be interested from the clerk or the researcher, whoever is involved here, and the background as to why it was necessary to change the wording of the motion from what it was made last week to what it reads right now. Because, when you read the motions, they are entirely different.

Clerk of the Committee: If I could just explain briefly. When I reviewed the original motion with Smirle Forsyth, the clerk assistant, our main concern was that this committee, like any other committee has no authority to ask the auditor, or anyone else in a way, to give us a copy of a report that is prepared for the ministry. I guess the same would hold true if we ask the auditor for a report. No ministry can ask him for that same report without us. Now there were other ways of going about it. We felt this was the easiest way of asking the auditor using section 17 of the Audit Act, asking him to do the same audit. It is asking for a separate report but the thought was the report could be identical.

Mr Ballinger: May we, at this time, ask the auditor questions? Just on the process, is it your intention to report from time to time to this committee or will you be reporting at the end with your findings?

Mr Archer: My intention is to make one report and to report. The necessary question, initially, came from the minister's office to report to him. At that point, based on this motion, we would also be tabling a copy of that report with the committee. So it is not going to be a periodic thing with interim reports, it will be a one shot effort.

Mr Ballinger: I noticed in today's paper, there is an article whereas it relates to your ongoing review. I really wanted to jump in when the member for Durham-East (Mr Cureatz) was speaking about then versus now, but I thought better of it. Interestingly enough in this process, at least in the report of the review I read this morning, you indicated that you have found no evidence that there was any shredding taking place at Ontario Place even though the leader of the third party got sufficient news out of it. I think he

Mr. Ballinger

P-1025-2

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6 July 1989

strengthened into days relating to an anonymous phone call that he received. As the press asks you questions, from this point on, how are you going to handle that?

Mr Archer: I certainly will not reveal anything that we uncover in the course of the audit. The shredder was sort of a yes or no situation. I did not feel I was revealing any confidences in telling them what we found with regard to that, but certainly if they ask and they undoubtedly will from time to time, how things are going and what we found and start putting words in my mouth we certainly will not be repondsing. We will say, "Wait until our report comes out." I guess I found it interesting when the member for Durham-East was reciting history.

Mr Cureatz: It was for your benefit.

Mr Ballinger: I agree with the member for Scarborough-Centre (Miss Nicholas) that it would be interesting to note how long he would have spoken and what kind of history had he had a 60-second briefing instead of a 30-second one. But of course the difference between then and now, Mr Cureatz with the greatest respect, was back then there was proof and now there are only allegations. One of the allegations, of course, was that Ontario Place all kinds of interesting files were being shredded and it has been reconfirmed by the auditor that it is simply not true.

The Vice-Chairman: Mr Cureatz, although at this time I wish well to both parties in their endeavour.

~~Mr Cureatz: It was for your benefit.~~

(P-1030-1 follows)

[REDACTED]

[REDACTED]

[REDACTED]

1030

[REDACTED]

[REDACTED]

Mr Cureatz: I suppose that is why the committee is allowing the auditor to continue with his investigation, whereas the other time, we had the person who took over the entertainment contract before the committee and ??did questioning, and a number of personnel, if I remember, at that time. I suppose the committee is reflecting that process and this way allowing the auditor to first do his investigation.

Mr Ballinger: Including the support of all we bad Liberals, we might add.

Mr Cureatz: I know. I am saying that is why it is a little different I guess maybe now.

Miss Nicholas: Is the auditor ??presenting some kind of amendment to this motion that would make you feel more comfortable or are you just clarifying it?

Mr Archer: The original motion, in my mind, was very straightforward and took the audit assignment as we had been given by the ministry and merely asked that a copy of the report on that audit be tabled with the committee. That seemed quite a simple process. By introducing this motion, it looks like it is a separate project that you are asking for. I do not believe—and I would have to double check—that the wording is exactly the same as in the request we got from the ministry. So that again would make people tend to think there are two different studies or two different requests being made here.

I think the approach we will take is to read this motion in the context of Hansard, the discussion that has gone on this morning and also the discussion that went on last week.

What we will in effect do is really perform the audit as we saw it requested by the ministry, table that and see what falls out of that. It may well be that some of the areas you wanted us to cover, we did not, but we would hope, in fulfilling the ministry's request, we will also cover off the areas that the committee is interested in.

Miss Nicholas: I would like to hear from Miss Martel—because it is her motion—if what the Provincial Auditor has said he interprets as your motion is really what you intend it to mean before I vote on it. What he just said is fine with me, but I just wanted, if I could, to ask Miss Martel if that is how she interpreted her motion.

Miss Martel: The purpose of the motion last week has not changed. I want the copy of whatever report the Provincial Auditor and his staff do for the ministry. The wording was not changed because I wanted to change it, it

was changed because both the clerk, with the help of Smirle, thought it could not stand in the wording that it was originally presented in. So this was their way to get around it.

I think I tried to be clear to point out that we are not looking for any broader terms of reference. We want solely a copy of the work you do on behalf of the ministry.

The Vice-Chairman: I am somewhat familiar with the civilities surrounding items such as trucking deregulation or reregulation and Workers' Compensation Board hearings, and I find this quite comfortable and quite civil to this point. I am very pleased.

Mr Ballinger: That is simply not true. The Premier (Mr Peterson) indicated to the House and to the Legislature that we would be doing this. You sit there so smugly and make those kinds of comments, that we have received our marching papers. All it is is allegations. He who laughs first will laugh last.

Ms Collins: I did mention earlier that we thought the motion was redundant and I explained why. I do have a copy of the letter that went to Mr Archer. This is from the Deputy Minister of Tourism and Recreation. It talks about requesting a comprehensive audit and everything that is involved.

So Mr Ballinger is right. This was at the initiative of the government, but we are willing to agree to the motion put forward by Miss Martel.

Mr Cureatz: ?? Miss Martel did not bring it in, you would have brought it in.


~~Miss Martel: I have been present.~~

~~Mr. Ballinger: I am not sure.~~

~~Miss Martel: The motion was brought forward by Mr. Peterson.~~

~~Mr. Ballinger: I am not sure. I am not sure that Mr. Peterson would have had his seat come before us and deal with it.~~

P-1035 follows



Miss Martel: I have been provoked.

Mr Cureatz: Good. Give it to her.

Miss Martel: If I may? The reason we moved—

The Vice-Chairman: Put the question, Miss Martel, please.

Miss Martel: The original motion two weeks ago that Mr Pouliot had raised would have had Ms Starr come before us and deal with a broad range of issues and allegations concerning public funds not only at Ontario Place but also anywhere else that funds went or came from. I would have much preferred us to vote in agreement of that motion, if indeed we wanted to get the whole thing out in the open, so that we could have had Ms Starr and cohorts here and gone through the whole process not only at Ontario Place but anything else.

The reason that did not occur was because the Liberals moved a motion to defer all that until such time as the auditor completed his report on Ontario Place. But, as I said two weeks ago, they are two very different issues. There is a broader question far beyond what went on at Ontario Place which will probably not be resolved even when we get his report from Ontario Place.

Ms Collins: There are five investigations going on. Mr Archer is just doing the one at Ontario Place.

Miss Martel: And we may not get copies of those reports either. We may not get a copy of the Ontario Provincial Police report.

Mr Ballinger: ?? you will have access to all that information.

Mr Cureatz: In 1998.

Miss Martel: We may not be here by then, Mr Ballinger, unfortunately.

Mr Ballinger: You can speak for yourself, because we have every intention of being here.

Miss Martel: The whole point of the matter is, if you go back it is a little facetious to say that you want a full and open process here, because we were quite content to have Ms Starr in here, have questions and get the whole thing in the open before this committee. That motion was blocked by your side, so please, let us get down to—

Mr Ballinger: You are ?? already mentioning you are not going to get it.

Miss Martel: No.

Mr Ballinger: What you are going to get is results from the judicial inquiry which will have all the ??accessing and all the information you need.

Miss Martel: I hate to tell you, but it was called blocking and

stonewalling on your part.

Mr Ballinger: It was not blocking and stonewalling whatsoever.

The Vice-Chairman: Could we have some order. As one who takes pride in not interjecting, I find this kind of exchange—

Mr Cureatz: Embarrassing.

The Vice-Chairman: —with respect to everyone, somewhat boring and departing from the question that is being put. Are there any more participants or anyone who wishes to participate in the debate, or can we put the question to a vote?

Mr J. B. Nixon: I say that this motion is totally ridiculous and embarrassing to the mover and to the party that moved it, and it is politics at its worst.

Miss Martel: A think-tanker who has been here during the whole discussion and knows what he is talking about. Right.

The Vice-Chairman: So we have listened to experts at work, working their craft. Are we ready to vote on Miss Martel's motion? Do you favour a recorded vote? All those in favour? Opposed, if any? Motion is carried.

Motion agreed to.

The Vice-Chairman: I think it is convenient. We need to ??move here outside. The Queen Mother is honouring the Legislative Assembly today, so gracing the Legislative Assembly we will take a 10-minute recess, then we will reconvene to address ??article 3.11 which deals with the Ministry of Natural Resources, more specifically firefighting.

Mr Cureatz: At the same place, here?

The Vice-Chairman: Yes.

Miss Nicholas: Has everybody received that firefighting, MNR material?

Ms Collins: Yes, I have it here.

Miss Nicholas: It is fine if it is here, I just did not get any at my office. I wonder if we should be dealing with something that we are only being given now. This is something I have raised for—sorry, Mr Chairman, I know they want the cameras out. We can certainly discuss it outside camera time, but my concern is that I am about to get it, I guess, from the clerk right now. I do not know why I have not received it in my office or in the House. I really feel uncomfortable dealing with something that is presented to me right at the time of the committee.

I have brought this before the committee before. I hate being handed it at 6:00 Wednesday night or on the morning we are discussing it. I wonder if, when we are setting our agenda we can keep this in mind, that the research officer has a certain amount of work that has to be done and perhaps he cannot do it in two days. I do not blame him.

The Vice-Chairman: I think it is a reasonable request. We had made arrangements for the messengers to deliver the pertinent material so that we would have a chance, individually, to review it and address it today. I am sorry it has not been done. Would you feel comfortable with copies?

Miss Nicholas: I do not mind getting a copy now, I just am on my soapbox every week, and at some point somebody is going to say, "Oh, that is a good idea. We should set the agenda so that the material comes at least two days before or the Tuesday before the committee date."

The Vice-Chairman: The point is well taken. We will recess for 10 minutes.

The committee continued in camera at 1040.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

ANNUAL REPORT, PROVINCIAL AUDITOR, 1988:
MINISTRY OF TRANSPORTATION

MONDAY 21 AUGUST 1989

Morning Sitting



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Philip, Ed (Etobicoke--Rexdale NDP)

VICE-CHAIRMAN: Pouliot, Gilles (Lake Nipigon NDP)

Adams, Peter (Peterborough L)

Ballinger, William G. (Durham--York L)

Charlton, Brian A. (Hamilton Mountain NDP)

Collins, Shirley (Wentworth East L)

Cousens, W. Donald (Markham PC)

Fawcett, Joan M. (Northumberland L)

Nicholas, Cindy (Scarborough Centre L)

Nixon, J. Bradford (York Mills L)

Villeneuve, Noble (Stormont, Dundas and Glengarry PC)

Substitutions:

Dietsch, Michael M. (St. Catharines--Brock L) for Ms Collins

Faubert, Frank (Scarborough--Ellesmere L) for Mr J. B. Nixon

Johnson, Jack (Wellington PC) for Mr Cousens

Martel, Shelley (Sudbury East NDP) Mr Charlton

Pelissero, Harry E. (Lincoln L) for Mr Ballinger

Clerk: Manikel, Tannis

Staff:

McLellan, Ray, Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Transportation:

Kelly, Alex, Assistant Deputy Minister, Engineering and Construction

Riddell, Brian D., Regional Director, Central Region

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday 21 August 1989

The committee met at 1004 in room 228.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1988
(continued)
MINISTRY OF TRANSPORTATION

The Chairman: This is an inquiry into the improved efficiency required, design activity, Ministry of Transportation, section 3.13 in the 1988 annual report of the Provincial Auditor. The members of the committee have been briefed by our researcher and also by the auditor's staff who are present. John Sciarra is standing in for our Provincial Auditor and Ezio Osti is the auditor who conducted this audit.

From the ministry we have Alex Kelly, the assistant deputy minister, on my right, and Brian Riddell, the regional director, central region. Mr Kelly, do you or Mr Riddell have any opening statements you wish to make on the auditor's recommendations?

Mr Kelly: Not at the present time.

The Chairman: Fine. We will open it up to questions by members of the committee. I suggested during our in camera meeting that in order to cover all of the auditor's recommendations we deal with them in sequence. Therefore, I am going to open it up to the first issue, which is that the auditor recommended that the ministry should exercise better control over consultants to ensure that costs are contained within the established ceiling price, particularly since the consulting assignments are not tendered and are generally for routine assignments where the required time can be more accurately estimated.

Miss Martel: I would want to begin by asking why there would be no tendering of any of that work. Can you just describe to the committee the nature of the work and why the ministry has decided to go without tendering?

Mr Kelly: The nature of the work is basically design work with the provincial highways program, which means highway design structures and going through the approval process, whether it be environmental approvals, approvals with municipalities and the preparation of contract documents so that we can award contracts. That is the nature of the work.

We have gone forward to Management Board with our roster rotation system. That was approved by Management Board in 1986, I believe. Our basic reason is that we are hiring specific skills and they are in a situation where, with a lot of the things, we cannot identify the total amount of work required. For example, when we go through the environmental process, as a stage of that we have to go back and look at various other alternatives and other investigations.

Similarly, when we do work for the municipalities, there are questions concerning them and we look at various alternatives. We hire the consultants based upon their skills and the type of people they have working for them. We hire a set of skills and they vary from project to project.

What we have said to Management Board is that any time we look for consultants, we will review our roster rotation system and we will assign work out. We will look at at least three consultants and make a recommendation concerning one of them. We also have an objective of distributing the work across the province to make sure that both the international consultants and the local consultants can all have a chance of looking at the work.

From our point of view, the big advantage to us is that by hiring consultants it stops us from being insular. Consultants tend to work for a lot of clients. They bring forward other methods and control systems that we do not have and at times we get the opportunity to adopt these things for our own use. The big advantage to the rest of Ontario is that consultants who work for us get to know our systems, specifications and contract methods. When they can prove their own skills, they go out and work for municipalities or the private sector. We have transferred our technology to them.

The base of the payment to consultants is mainly salaries. Ninety-five per cent of the payment to consultants is really for their staff they use on the job.

Miss Martel: You have said that part of the reason for the nontendering is that you are looking for particular expertise for a particular set of issues that have to be looked at. I am wondering if you can explain to us how big the pool is that you have to draw from when you are looking for different types of expertise for different projects.

Mr Kelly: We have virtually hundreds of consultants on our suppliers' list, subject to the nature of the work. If we are looking at very specialized areas like freeway traffic management systems, then we are looking at a group of about five consultants. If we are looking for investigations for foundations for bridges, we are looking at a group of about 15 consultants that provide that service. If we are looking at minor work like resurfacing, an intersection improvement, then we have virtually 100 consultants distributed throughout the province who could do that work.

If we are looking at consultants who can put a big management package together, where we have to go through the whole process from environmental hearings all the way through to freeway traffic management systems, there are about 10 consultants in Ontario who can provide that whole package. Those 10 consultants tend to be the consultants who not only work for us, but they work for people in the United States and Europe or wherever. So it is subject to the nature of the work.

Mr Faubert: It seems the issue is that the consultant's cost frequently exceeds ceiling prices by significant amounts. Is that because you have some difficulty in defining the quantitative limits of the job or is it because things happen during the process?

Mr Kelly: It tends to be more that things happen during the process. Time catches up on us. If you look at the auditor's report, he looked at three regions. The other two regions are in good shape, but he started narrowing in on the central region. The problem in the central region is the rapid growth and the rapid change that is going around us.

A lot of these projects take about five or six years from concept to contract drawings. What has basically happened to us in the old review is that there is so much activity going on that we have to continue to go back to municipalities or to whoever is looking out there, utility companies or

people, to change on a constant basis. A lot of them are complete changes in concept.

If you look at some of the ones we have in the books, Highway 406 in St Catharines, we had to do a complete change in concept to look at other alignments because of potential damage to tender fruit lands and crossing Twelve Mile Creek and so on. But the main changes are due to time and rapid growth by others.

Mr Faubert: Just to clarify your point, I take it you are saying that urbanization in some areas catches up with a project and therefore that starts to change the design or some aspect of the project in process.

Mr Kelly: That is quite correct, during the process. You will find very few changes in ceiling price on what I would call resurfacing contracts or just straight bridge designs. It is when we get into things like Highway 7 across the north of Toronto where we have a concept but by the time we get halfway through it there are so many changes going on that we have to go back and re-evaluate it.

1010

Mr Faubert: Okay. As an example, you are expanding Highway 401 east from Metro towards Whitby over about a 10-year span. You are saying that over that period of time the pressures of urbanization, as that moves out, are going to increase the costs of design?

Mr Kelly: We will have to. If there are new developments going on out there, and there will be—

Mr Faubert: There are.

Mr Kelly: —there will be and there will continue to be—we will constantly have to look at our traffic projections and our interchange locations. There will be a lot of requirements for utility companies across our right of way, and there will be a lot of requirements for us to have cost-sharing agreements with municipalities for storm sewer outlets and things of that nature. So we will have to go back and update the information and re-establish some agreements with the municipalities so that our work ties into their work, so that in the total package, the whole world is not losing on the total package.

Mr Dietsch: In terms of the receiving bids from consultants, I am curious to know just exactly whether it is something that you explained in terms that there are only perhaps five or six that are qualified in a certain area. Are there interfacing bids between those two or do you just select, based on previous work that has been done with the ministry? I am leading into what kinds of guidelines you have for appraisal of this kind of work that is done to make sure that Joe's consulting business is not a constant aggravation of cost overruns? What kinds of checkmarks do you have in the system, first, to select a consultant and, second, to keep controls over costs overruns?

Mr Kelly: In simple terms, if we have a new consultant come forward and ask to go on to our suppliers' list, then we go through a process of prequalifying the contractor or the consultant. We look at not only his staff and his skills but what previous work he has done for other clients. We get hold of whoever they are, we bring them in and we discuss how good he is and what the problems are.

Normally we would bring him on board and start off by giving him a small assignment, if you like, or a reasonably small assignment. Then our process requires that our design people rate the contractor or the consultant during the design process, considering how well he did and how he kept up to schedule and so on. Then for our construction process, at completion of construction, we have another report that deals with how well the consultant performed. If his performance is not too good and he is not doing well, then I bring him in at my level and talk to him saying, "We're reducing the amount of work we're giving to you because of your lack of abilities," and so on.

What our regions do when we are looking for an assignment is an estimate of what it is going to cost to do the work. Our regional design people do that. When we look at the three consultants, we write down what our cost is. When we bring in the consultant, we give him basic information concerning what we want him to do and we tell him to come back and show us his cost of doing the work. If his cost is not in keeping with what our estimates are, then we stop that process and go elsewhere or try to resolve where the information we are giving him is not in keeping with what he thinks he has to do.

Mr Dietsch: What about competition between consultants? For example, with the Queen Elizabeth Way and Highway 406 in St Catharines, do you just say, "Well, this particular consultant has experience in this field," or are they required to offer some type of overall bid? I guess I am trying to zero in on whether there is a competitive bid between consultants.

Mr Kelly: If there is a large project, particularly highways where we are going into new alignment, which requires the consultant to put together a team that is not strictly engineering and technical people, if he has to put in a team of archaeologists, environmentalists, economists and so on, we go out to a bidding process where we require him to come in and give us proposals. We would send letters out to about 15 consultants who have such a team and they would submit proposals and give presentations to our regional staff. Our regional staff would come forward and recommend one of those consultants, based upon both his proposal and his cost of doing the work.

We do that only when a wide range of skills is required, because with a narrow range of skills, what I would call technical skills for the sake of a better word, where you are just going to design a bridge, our main concern is, does that consultant have staff available and skills to do it? We go to our roster rotation list and we look at his three-year average, how much work they have put out to him, and then we look at those particular consultants. The one who has the lowest volume of work with us, we would then give him the assignment, based upon his coming forward with a cost estimate.

Mr Dietsch: For any consultant who is out there and interested in bidding on any of this work or any of this process from time to time, is there public advertising to make consultants aware of that or is it up to the consultants themselves to make you aware of it? How does that work?

Mr Kelly: There is no public advertising; that is for sure. I do not even have to make them aware of it. They seem to be aware of what is going on. But they would come in and say they are interested and then we would deal with them from that point on. The consultant market is very active. There are new companies being formed all the time. People are leaving and forming companies and so on.

Mr Dietsch: You have been able to get a pretty good cross-section of consultants to offer their expertise to the government without going to public advertising.

Mr Kelly: That is correct.

Mr J. M. Johnson: Mr Dietsch was inquiring about how you get on the list as a consultant. Do you bounce some consultants off your list if their job is not satisfactory?

Mr Kelly: Yes. If the job is not satisfactory, then it is my obligation to bring them in and tell them that we are no longer giving them work. The process basically is that we give them a two-year moratorium. I bring him in and say, "We are no longer going to give you any work and here are the reasons." I document it and say, "If you clean your act up, then in a couple of years we are willing to put you back on our suppliers' list."

Mr J. M. Johnson: The auditor recommends that you should have an established ceiling price for some of this work but I can see that this can create a problem. I am thinking in terms of my riding and the Hanlon expressway: that would be what you would call realignment from Highway 6 on to Hanlon. They are into expropriation and environmental hearings and it could go on for many years. It goes back for a long time. There is no possible way you could set a time frame for that. How do you resolve the pricing of that type of job?

Mr Kelly: We hope that our regional staff can come up with better pricing. What we are trying to do now is, because of the rapid growth, we are trying to break our assignments up into more manageable stages and give the consultant the assignment to finish stage 1, which is sort of at the end of the preliminary design stage, rather than giving him an assignment to go through all the three stages—

Mr J. M. Johnson: You are suggesting that the consultant would not handle the whole project.

Mr Kelly: We are suggesting that the consultant, on big projects, would not handle the whole project. That is right.

One of the requirements for Management Board is that if we have a follow-up assignment to a consultant, if he went to stage 1 and we gave him stage 1, he finished the preliminary design and we were going to give him stage 2, then we have to go back to Management Board for approval to give the same consultant that particular assignment.

Mr J. M. Johnson: In particular issues, you have your ministry practically in complete conflict with the Ministry of the Environment.

Mr Kelly: Absolutely.

Mr J. M. Johnson: I would assume that at times it must go back to cabinet people for a decision as to who wins out. It seems to me that Highway 89 going east ran into a stumbling block and could not go any further.

Mr Kelly: That is correct.

Mr J. M. Johnson: Would that be deleted from the plans of the minister?

Mr Kelly: Highway 89 and that particular alignment through the sensitive marshes is off our program. We are looking at extension of Highway 404 from Newmarket north to see where is the best route and what does the least damage to the environment and to communities.

Mr J. M. Johnson: How can you comply with the auditor's recommendation that you establish a ceiling price on projects such as this?

Mr Kelly: The best way for us to comply is do a better job of our own estimating and to break the projects up into more manageable sizes. When there are major shifts in what we are doing, if we get to a point where we have to say that the complete concept has changed and we should be terminating the assignment with the consultant and saying, "We really have a new assignment now because everything has changed so rapidly that we should be starting again."

1020

Mr J. M. Johnson: One would be an engineering assignment and the other is a social problem.

Mr Kelly: We always have those tradeoffs between communities, the environment and the whole—

Mr J. M. Johnson: But it may be more beneficial to have some other consultant working on the one phase. He may be a tremendous consultant and engineer and not be any good at dealing with the public and environmental issues.

Mr Kelly: That is absolutely correct and that is why we are so selective when we have what I would call very sensitive environmental matters.

Mr J. M. Johnson: You could not break the project up into two separate areas, one dealing with the environmental issue and one with the engineering?

Mr Kelly: What we do is what call it the preliminary design, for the sake of a better word. That really means going through the route selection and the environmental process to get to a stage where we can lay down a designation on alignments so we can control the property from our end of it. From that point on, we would look at another consultant assignment for the further work, which tends to be more engineering, once the approval process is—

Mr J. M. Johnson: Thank you.

Mr Dietsch: Could I ask a supplementary to Mr Johnson's last comment?

The Chairman: You can ask a new question, since Mr Johnson is finished.

Mr Dietsch: It is just supplementary on the same vein. I am curious. The question that was posed was with respect to breaking up that consultant's work and getting a specialized area. Would that be feasible or would that generate an extra cost, do you suppose, in your experience of handling those things?

Mr Kelly: When we go through the process, there are going to be stages where, for the public good, whatever we were doing was wrong and all that money we have spent in theory is being lost and we have to start again. I do not think there is anything we should be embarrassed about because those things are going to happen and maybe they should happen.

The Chairman: I wonder if we can move to—I am sorry, Miss Martel, you had something on this?

Miss Martel: Yes. I just want to follow up on a previous question by Mr Dietsch. The answer was that when you are looking for a consultant you would have your own staff do an estimated cost and try to bring in consultants that are in about that range and go from there. Given that the auditor's staff found that the prices were frequently exceeding what the original estimation had been, I am wondering if the problem is the consultants going overboard or the ministry not being very clear or not making sure that its costs are in line with what the costs are actually going to be.

Mr Kelly: If you look at the records, I think you will find that all the projects the auditor is talking about are projects that were issued back in the late 1970s or early 1980s. We have tightened up a great deal in our processes in dealing with consultants.

Obviously, when they do their estimates, our staff sometimes miss the full scope of what is going to happen out there during the design, and also when the consultants are dealing with us, they miss some of the things that will happen and the ceiling price will go up. We think we are pretty good. The ceiling prices that seem to get out of control are on the major projects where there is a great deal of activity going on around us, if you like, which tends to generate the problems.

Miss Martel: If I may follow up on that, the second concern I have is with the big projects where you talked about the problem you have with urban growth and timing, etc. I am wondering if the ministry is ahead of the game or behind the game when it comes to those kinds of rapid changes where you find yourself having to change an entire project because of growth that was unexpected in that area. What kind of procedures do you have in place or what group of people do you have in place who are trying to make those estimations of what kind of change is going to take place and how you respond to that?

Mr Kelly: Generally speaking, we try to plan 20 years in advance of what is going to happen around us, so when you look at the major facilities that the government just announced, Highway 403, Highway 407 and Highway 416, particularly on 407 and 403, we were out there 20 years ago, laid down all the alignments and designations and controlled our end of it. Where we missed the boat was in the amount of growth that has been happening along that corridor, particularly within the last six or seven years. We had no idea it would be so rapid. We had no idea there would be such demand on us to purchase property, to dispose of property, to deal with utility companies and so on.

Miss Martel: One last question: Are you dealing on a fairly regular basis with municipalities to see what their plans are for specific areas and what their projected growth is?

Mr Kelly: Yes. We meet with them all the time, on a constant basis. I think they missed the projection also. Ten years ago, who in Mississauga thought that was going to go on?

Mr Adams: One short question: On this matter of whether you are ahead of the game or behind it, as you know, every one of us here has a highway project of some sort that he is very interested in. In my case, it is Highway 115. One of the more interesting written responses that I ever received to a petition in the House was an excellent written response from

your ministry to a petition on Highway 115 with regard to having a land median instead of a concrete wall, or whatever you would call it, between the projected improved lanes. The farmers in a class 2 agricultural area calculated how many acres there would be between these two lanes.

The response contained some very interesting information about traffic safety and controlled-access versus noncontrolled-access highways. Then there was the comment that Highway 115 would one day be part of Highway 407, I guess it is, and that it might then conceivably have eight lanes. This is an extraordinary thing in the Peterborough area, for we do not think of ourselves as being sort of north and on the outskirts of Metropolitan Toronto and so on.

In this design business, what did you say to the people who did the designing to allow them to design for the foreseeable future and what I view as the nonforeseeable future when that is part of Highway 407? The last part is, where does the highway go after that? It comes down to Highway 115 and it is going to continue somewhere towards the east. Do you have any sense of that?

Mr Kelly: Highway 407 will hook up to Highway 115 around Peterborough, as far as we know, south of Peterborough.

Mr Adams: At Highway 35, Highway 115, it comes across like that, and then it stops. Is there going to be a big hole in the ground? What will happen then?

Mr Riddell: It is going to be many years until then. Do you mean north of there?

Mr Adams: Yes, when it gets up to Peterborough.

Mr Riddell: There are questions about a Peterborough bypass, which you are probably well aware of, and that is something we have planned for and protected for a number of years. That is very much a future initiative. One would have to look at the need for future freeways or improved highway networks both north and east of Peterborough at that time.

We are very much assured that the Highway 7 corridor to the east is a good corridor to be more fully developed and the Peterborough bypass to the north is another corridor to serve that north recreational area.

Mr Adams: In this design, did you know 10 years ago or so when the upgrading of Highway 115 started or was being considered? Were you able to build the Highway 407 idea into it at that stage or did somebody come in, as you say, in the last five or six years when this unprecedented growth towards the east occurred?

Mr Riddell: Highway 407 has been on the books since the early 1960s.

Mr Adams: Including the Highway 115 part of it?

Mr Riddell: It was always part of the plan to link it to something in the east. The idea was to link it to a major provincial facility. Highway 115 is the major provincial facility to the east. Yes, it was, in a very preliminary sense but not in any kind of detailed sense. I think the comment made about having the median section through there the land median, as opposed to the raised median, allows for the future development if it is to occur, whereas if you had the raised median that would not be possible.

Mr Adams: Sure. Thank you.

1030

The Chairman: I wonder if we can move on to the next item which is that the ministry has reported back a new unit cost reporting process. That is in response to the Provincial Auditor's comments that there were wide cost and time variations for similar design work, which was not being monitored by the ministry. The auditor concluded that three areas should be subject to further review, namely, the average unit cost per region for in-house detailed design of resurfacing projects, reconstruction projects and the average unit cost for detailed design of reconstruction projects by consultants.

I wonder if you would like to bring the committee up to date on what progress you may be making on the unit cost reporting process, which I gather was your response to the second complaint we are dealing with this morning. Then members may want to question you on that.

Mr Kelly: Certainly, we have no argument with the Provincial Auditor from the point of view that our unit cost reporting system designs throughout the province were not up to speed. The real intent of such a system is for us to be able to look at our five-year plans, and design and determine how many resources we are going to need, particularly human resources, over the next five years for the various parts of the province. In order to do that, we need a great deal of information from our regions to put into a system.

The trouble is that the information is not very accurate and it varies all over the place. Because the type of resurfacing projects and things change and are so different from one end of the province to the other, we have not been able to establish a very good base. Everyone in our organization supports it and knows we have to do it. We are just trying to get the information together in a better form so that we can work with it. We have great systems for construction and so on and so forth, but we never have been able to bring this one on board. I do not know what else to say.

The Chairman: You announced to the auditor, though, that you had this new process you were implementing. Are you saying that you have made no progress whatsoever or that it is just difficult to implement?

Mr Kelly: No, what we are saying is that we do not have enough information in the process so that we can have confidence in what we are getting out. We are feeding data into the computer system all the time, so eventually we can take the bugs out and compare from one part of the province to the other and try to address where we have the variations. It is a matter of collecting data in the right form and shape and sufficient amount so that you can really can come up with averages.

The Chairman: No doubt it will be audited the next time around, but members may want to ask questions on that one item. It is a complicated issue and I appreciate that. You are attempting to deal with it, but it is something the auditor and the committee no doubt will want to look at again because you are dealing with some very large dollars.

Mr Kelly: Agreed.

Miss Martel: I have just one question on that. There was not only the problem of information not being all that correct or useful, but the auditor also noted there was a problem in that no one at head office was

reviewing the information. I am wondering what system you have put in place at this point in time to at least be monitoring the information so you can determine what is good and what is bad and how you change it to get the information you need.

Mr Kelly: We have assigned the accountability for the system to the manager of our highway design organization and he will report to me on a constant basis concerning what the status is, what changes we have to make and how much confidence we can have in it. He deals directly with the counterparts in the region who are the people who really gather the information.

Miss Martel: Can I ask what the basic problem seems to be in terms of the information not being useful to you. Is it a problem of not having enough information? What types of things would you be looking at that you are not finding very useful to you now?

Mr Kelly: First of all, because this work is so far out, the staff who are accountable to put the information in tend to be busy on ongoing things, so they lack dedication to look too far ahead to get planning information. That is the sort of Metro thing we have to deal with. Also, the information we have in a lot of cases is just a big guess. We do not have enough quality information and we have not had a system to cross-check that information, so we have the dedication of the staff we are dealing with and trying to improve the quality of information. Both of those add to things.

Incidentally, a resurfacing contract in one part of the province is completely different from a resurfacing contract in another part of the province, particularly in southern Ontario where you have to spend so much more of your design effort to control traffic than you do on other roads where there is not as much traffic. We are trying to break these things into more manageable models, if you like.

Mr Faubert: This raises a question. If it is so difficult or if there are so many variables within it, how then does it become a management tool that says you recognize this? I assume you mean you recognize it when it is functional and operational as being a management tool, but if there are so many variables within it and it is as complex as that, how can it actually be of use to you?

Mr Kelly: If we can break through the problems, we will be able to better determine the number of people we should be hiring in various parts of the province and the quality of people we should be hiring. One of the things we have to address is the variation of workload and time because you may end up with too many people doing nothing and in another part of the province have people very, very busy. Our only alternative, of course, is to transfer people from here to there, which is a very costly process. It has a lot of factors. It affects families and it affects people.

We feel that if we can get a better system we can establish core workloads in the various parts of the province and supplement those cores by assigning work to consultants and smooth off our operations. We think there is a benefit to everyone. Also, it helps us with our budgeting process. If we can better determine the cost of work five or 10 years out, then we can do a better process of estimates, long-term budgeting and things of that nature.

Mr Faubert: You are referring, I take it, to your overall management and maintenance of the highway system in a particular region. You have a certain budget and you know that it is going to take so many men, at least you assume that, and you are costed on a unit basis of repair and maintenance.

Mr Kelly: Correct.

Mr Faubert: But you are saying that this does not necessarily hold, that there are many variables?

Mr Kelly: Maintenance is a different issue, but for design there are so many variables that we have not been able to determine what a unit cost would be for a project five years from now.

Mr Faubert: I see.

The Chairman: Are there any further questions on this topic? We certainly look forward to having some progress reports on this, and no doubt the auditor will be reporting back to us on what progress he notes in his next audit.

The next item members will want to address themselves to is the whole report concerning the computerized system. The computerized system, originally scheduled for completion in 1983, was still not functional in 1988 and the cost had increased over 300 per cent. I wonder if you have any comments on that and on the auditor's recommendation in this regard. Then members of the committee will no doubt want to ask you questions.

Mr Kelly: Maybe it would help if I explained what OMBAS is and how we arrived at where we are. It is Ontario modular bridge analysis system. Basically, when you design bridges you design various components of the bridge. We have specifications, and one of the complexities of bridge design is that if you change something in one place, you have to go all the way back and change something some other place.

We decided we would computerize these things so that if you have to change the design of the bridge deck, for whatever reasons, the system will automatically allow you to change the foundations and the footings and so on. The output of that is we will swing on to computer-aided draftings so we can use this information to come up with a complete bridge design drafting system. It is a very, very complex system.

1040

Traditionally we have a lot of manuals and things for each one of these sections, and we had people working on these manuals, constantly updating them as technology changes, and it is constantly changing. So we decided we would computerize this and we developed a steering committee. We came up with a cost; incidentally, the cost was only for stage 1. When we got into the system, we were employing computer programmers, for lack of a better word, and it was being done by our computer services branch. Our management team in charge of structural design came to the conclusion that the best resource to use to do these things were the young engineers and people who were in third and fourth year engineering, because they bring in all the computer skills with them and they are very good at developing computer programs.

So we shifted away from having computer systems people to having engineering people do it. Mainly, all the people we had been using who previously updated our manuals and the engineering students we normally hire we put on to this process and we just captured all those costs. It took longer. We never went back to Management Board, because all the resources we used were resources within the shop. We were not asking for new resources; we were merely redirecting resources. Instead of having people update manuals, we used them to work on this computer system.

Incidentally, it is working; it is up to speed. You will note—I think it is in here—that we have now transferred this particular program to the Americans and the American Association of State Highway Officials. The reason we did that is because that system is going to have to be constantly updated and we have an agreement with the Americans that if that system is updated we get the changes to it at no cost to ourselves.

But the costs are extremely high compared to the original estimate. There is no question about that. The reason is that we captured all our resources. We only had one consultant assignment, I believe, for \$200,000, and I think the number is \$3.4 million.

Mr Philip: If I may oversimplify, one of the problems is that you have a constantly changing data base because of new advances in engineering. In your opinion, the best use would be to have someone in the engineering field deal with the software, because he is more familiar with these changes and, therefore, the input would be of a better quality than simply having the less highly paid computer data people put the—Part of your cost is that you are using more highly paid engineering types rather than the lower paid computer—

Mr Kelly: I would not say that. Computer people are very expensive, computer programmers. They do not come cheap. The problem with having computer programmers is that you have to spend a lot of time training them in the engineering.

Mr Philip: And briefing them.

Mr Kelly: And briefing them, and it takes a great deal of time to do that. The people we tended to use for these are third year engineering students and new engineers who came to us out of university, who had those skills right up to speed in all of these things. They are about the lowest-cost engineering skills we get. But it took time.

Miss Martel: How skilful were they on computers?

Mr Kelly: Very good.

Miss Martel: Were they? What I am getting at is that you did not lose because you had engineering students who may not have worked with computers around those kind of bases before?

Mr Kelly: Every young person going to university in engineering has to bring a computer with him nowadays. They have great skills in these things. It is one of the strengths we have as we move into computerization in the ministry, that most of the people we have hired in the last five years can lead it, because they are right up to speed on these things.

Mr Faubert: You indicated this program relates to bridge design. Is that right? Does it relate to all other designs?

Mr Kelly: No, just structural design.

Mr Faubert: It is structural design only?

Mr Kelly: Yes, retaining walls, things of that nature.

Mr Faubert: Is it applicable in other fields or can it be extended to other design fields?

Mr Kelly: No, it cannot be extended to other design fields, because it is based upon the bridge specifications in Ontario; it is based upon something that has to be specified.

Mr Faubert: Are the bridge specifications in Ontario the same as those of certain states in the United States?

Mr Kelly: No.

Mr Faubert: How, then, do you transfer the information? I did not get that part.

Mr Kelly: We developed the Ontario bridge code, the parallel bridge code, about six or seven years ago. The American Association of State Highway Officials knows its bridge code is outdated, so it did a study. They are taking our Ontario bridge code to the United States as the benchmark to determine how they are going to establish theirs. They are using that, and because they wanted to use that they also wanted the computer program for design. They are down there evaluating these things at present.

Just as a point of interest, the Ontario bridge code is being translated into about 50 languages. The Japanese came and got it.

Mr Faubert: Do we give that away, or do we sell it?

Mr Kelly: We give it away.

Mr Faubert: With the development cost of this, is it not possible put a fee on it?

Mr Kelly: You could put numbers on it. We get technology transferred all around the world; they transfer things to us at no cost.

Mr Faubert: You said, I think, there is a reciprocal agreement for future technologies for data transfer. Is that of the same value as this or more?

Mr Kelly: It is hard to say. When you are talking about technology going on around the world, we have to make the decision on a constant basis of who is where; we have major data banks finding out who is doing the research around the world on various things, and we have to be selective and say, "Which one are we going to do here ourselves?"

We have decided to develop the Ontario bridge code in Ontario because of our concern about making sure that the highways are safe and can carry the various trucks, loads and so on and so forth in our own environment.

Mr Faubert: I can see in North America a transfer of information, data and technology. What about worldwide? If you have something unique, why is it not sold worldwide? Is there a legal liability aspect?

Mr Kelly: If you talk to lawyers, one of the things they will tell you is that if you transfer that, then you are accepting all the liability for it. We transfer things by agreement; we have no liability for the accuracy of it or whatever. We do not want to go to court in Tennessee for something that is in our Ontario bridge code.

Mr Faubert: You do not want to have to prove it was not your design that caused that bridge to go into the river.

Mr Kelly: That is correct, yes.

The Chairman: There is a fellow by the name of Maurice Duplessis who had some problems with that years ago.

Miss Martel: Correct me if I am wrong. You said the system is now in place and running.

Mr Kelly: That is correct. It is being used not just by ourselves but by a lot of consultants.

Miss Martel: Can I ask what the bottom line on expenditure was? I know the auditor noted in 1988 that the cost went from \$840,000 to \$3.4 million. Do you have the final figure?

Mr Kelly: I do not have the final figure, but if it is any more than that, it will not be much. I have not got it with me.

Miss Martel: Can I ask what accounted for the increase in that particular year, because I take it you probably would have moved your engineering people into place before that year in particular. Why would there be such a tremendous jump in costs over 1988?

Mr Kelly: Because we kept adding on to what we wanted to do during the process, to make sure we included everything within the process. During the process, not only did we decide to do bridges, we decided to do retaining walls, culverts and a whole bunch of things. Computer costs have gone up; every time you do something, you have to test it, and the cost of running it through major computers to test it to make sure it works went up substantially. One million dollars of that cost is for running it through computers to take the bugs out, if you like.

Miss Martel: You mentioned something I found a little strange. You went from bridges to looking at culverts as well; culverts and what else?

Mr Kelly: Culvert design, yes; culverts, retaining walls.

Miss Martel: So that is all on the system and you can deal with a number of things outside of strictly bridges?

1050

Mr Kelly: Yes, that is correct.

The Chairman: Any further questions on this item?

Mr Dietsch: I would like to go back to some of the discussion that has been going on with this phase and ask, in relationship to the monitoring of design time, is there not a system out there that you can utilize to improve that particular program? Obviously you trade. We found out today that you trade systems between other jurisdictions. I would like to know with respect to the design time system you are trying to implement, is there not something out there in that respect?

Mr Kelly: We looked at the design. We did our library research, if you like, and narrowed in on a few systems that were in place that we could adapt. We tested one, which was the McDonnell Douglas system, and we found out we had to make so many changes that we were better off to develop our own based upon our own environment.

Having said that, so many people are working on those things that tomorrow there may be a system that you can just take off the shelf. We are constantly reviewing the information we have on these systems. I am sure our manager of highway design, for example, will be talking to his colleagues in New York state if they ever have one.

Mr Dietsch: My understanding from your answer to an earlier question was that you are working on improving that unit cost system. Do you have any time lines on where you are with that particular thing? If we look at some of the other time lines of programs, it seems to me they are very long.

Mr Kelly: Yes.

Mr Dietsch: Understanding how technology changes so rapidly, have you placed any time lines on that design?

Mr Kelly: Yes, we have a three-year time line on it in the hope that we have sufficient data in there in three years that we can have a fairly high level of confidence in the information.

Mr Dietsch: Do you mean three more or three---

Mr Kelly: Three more years. It is mainly getting data, to put the data in and to check the accuracy and run it to see that is giving us something that is---

Mr Dietsch: I would just like to be clearer. When you say three more, are you talking 1992? Is that what you are saying, 1992 or 1991, or three from when you started in 1986?

Mr Kelly: Three more from where we are now.

Mr Dietsch: Okay, so 1992?

Mr Kelly: Yes.

The Chairman: When do you actually draw a halt to it? It is surely something that has to have constant input over the years. When do you decide that it is in place, because you are always going to be adding new data as new engineering improvements come along?

Mr Kelly: I guess it becomes when people at my level review the information and say it seems to be running without giving us any problems with degree of accuracy. It is basically a judgement decision.

The Chairman: It is a judgement call on your part?

Mr Kelly: Yes.

Mr Dietsch: If I may just add one more to that, you sort of determine at some point in time: Is the value of this program, the money that we have put into it, going to be worth the saving we are going to get out of it, or are the other projects going to change so much that it is outdated before we are completed?

Mr Kelly: That is correct. It is a lack of judgement there.

Mr Dietsch: It is a gamble.

Mr Kelly: Yes.

The Chairman: We look forward to hearing about this.

The next issue and the last issue the members will want to address themselves to is the auditor's concern about the basis of payment for concrete removal on bridge rehabilitation work, which he claimed encourages cost overruns.

Specifically, according to the auditor's report, payment based on crew hours has disadvantages. He stated that there is no incentive for a contractor to complete the project quickly, and extensive inspection is required by the ministry staff to ensure a full crew is in operation and efficient average removal rate is maintained.

The ministry in response announced that it was moving towards a different system. I am wondering if you can bring the committee up to date on that and then maybe the members will have some questions on that.

Mr Kelly: The basic issue in doing bridge deck rehabilitation is the amount of time it takes to do investigations. Under normal circumstances, we would go out and put some bore holes in the bridge deck and do some testing to determine how much spalling is on that bridge deck. Not only is it expensive, but we have to close down lanes of traffic and it becomes somewhat awkward and somewhat dangerous.

So we basically decided we would have to do some risk management; we would have to use one core to determine what the condition of the whole bridge is.

In the case where we we are confident that we have to remove the whole deck, we always bid it by the cubic yard, which the contractor can bid very accurately. The construction process is completely different, incidentally, when you move the whole bridge deck. For example, in the old Burlington Bay Skyway, we took the whole deck off, so the quantities were very accurate.

So we decided we are going to have to do risk management. When a contractor goes in there, he takes off the hot mix paving, and he has to use jackhammers and things to remove that old spalled concrete. That is very time-consuming; he has to work around the reinforcing steel and so on and so forth. We have to have an inspector there to say: "You have to go down deeper, you have to go further," and so on. So we went up with the crew hours—he has a crew of so many jackhammers, so many men—and just as we anticipated, our bridge decks are in worse shape than we had thought and our quantities are overrunning. There is no question about it. But we are still being driven by the fact that we have to close down lanes and put a lot of bore holes.

So we are going to go to square deck measurement. The reason we are going there is that we have been working to develop some new technology. We now have a radar system which we can put on a truck that drives across the bridge at about 20 miles an hour and shoots some things down there, and we can tell how strong the bridge is and where the spalling is on the bridge, in which areas. So we intend to then produce contract drawings to show the contractor, "Here is how much concrete you have to take off in the various locations on the bridge," and we are going to bid it by square metre of the bridge surface.

So the auditor is correct, there is no doubt about it, but it is a very awkward thing for us.

The Chairman: This will cut down on your inspection time, because you do not have to be there to constantly see how far down they have to go and then change the requirements as need be. You still have to have inspection to make sure he is carrying out the contract as required.

Mr Kelly: Our inspector will really just accept the work and say: "You've removed everything, you've cleaned off the reinforcing steel. It's accepted." That is basically what he will do. He will not tell the contractor, "Do that over there." That is up to the contractor.

Mr J. M. Johnson: I find it hard to accept that it costs 20 times as much to go the two methods. In the high volume area around Metro, your costs could be prohibitive, and I can understand that. But I drove over four bridges this morning on Highway 6 and Highway 9, in the Arthur and Wellington area. There are four bridges being reconstructed. You let one contract for X number of kilometres of road plus the four bridges. So there is no problem either way. You are not paying for the bridge; you are simply tying it all into one contract. Why is there a problem in determining the amount of concrete to be removed when you can do it in that area for the four bridges, and when you are dealing with a single bridge? What is the difference?

Mr Kelly: Nothing will be different in those contracts; I do not know them in detail. But once the contractor takes the asphalt off and he starts getting down to the concrete, he will be paid by crew. Chances are that he will have to do more work, crew hours, than we have in the contract.

Mr J. M. Johnson: So he could possibly be paid more than the contract allows?

Mr Kelly: He will not be paid more per unit price. He would bid so much a crew—I do not know what it is; \$62 a crew hour—and that is what he will get paid, \$62 a crew hour. We would have estimated it was going to take 100 crew hours and it may take 200 crew hours. The question from the auditor's point of view is: How do you make sure that crew works efficiently? There is no incentive for him to work efficiently.

1100

Mr J. M. Johnson: So the contract that is let could indeed be higher?

Mr Kelly: The final price for that work could be higher.

Mr J. M. Johnson: So this is based on the number of hours you have predetermined?

Mr Kelly: That is correct.

Mr J. M. Johnson: If your people agree there are more hours needed—

Mr Kelly: He gets paid for it.

Mr J. M. Johnson: I can understand that.

Mr Pelissero: The unknown is until you take the asphalt off?

Mr Kelly: Yes.

Mr Pelissero: Are the contracts designed in such a way that that is

determined after? If I were a contractor, it would be hard to put a bid in, not knowing what is underneath the surface; depending on what my hiring procedures are, I may need either twice the number of crew or I may need the same crew tied up for twice as long, and that will prohibit me from bidding on other jobs. Is there not a better way to determine what is underneath or is that what you are developing with this—

Mr Kelly: Yes, that is why we want a radar system, without taking the asphalt off, without stopping traffic, without putting bore holes down; we can bounce rays down there and determine where the spalled concrete is, which part of the deck, so we can give him a contract drawing that says, "Here's where it is on that deck, that's how deep it is, there's where the reinforcing steel is," and he can bid accordingly.

Mr Pelissero: Okay. As we get into reconstructing or building new bridges, is there a mechanism that is going to allow you to do that a lot easier in the future, as opposed to the older bridges?

Mr Kelly: I hope we never have to do it on the new bridges we are building, because we have corrected the problem.

Mr Pelissero: This is the computer that still has three years to run?

Mr Kelly: No.

Mr Pelissero: These are two separate related items, but they are both talking about bridges?

Mr Kelly: Yes, this is spalled concrete.

Mr Pelissero: Just so I understand that. I thought the computer was going to fix some of this; not necessarily.

Mr Kelly: The computers do not fix anything, but—

Mr Pelissero: I am just saying we now have an estimate of \$3.4 million tied up into a computer that is not running yet. I am hearing we have got cost overruns on every job we are doing. I am saying we should be able to control a little better than that, should we not?

Mr Kelly: Sure we should. The cost is only one item in a contract.

Mr Pelissero: I appreciate that, but we are just focusing in on what the auditor and certainly the public—You have taken the time to explain that here, but the Toronto Star, the Globe and Mail and the Toronto Sun are not going to take the time to try to understand it, to say, "If you can do it for \$103 an hour, why are we paying \$2,300 an hour to get the job done?" That is the point we have to understand, and I am sure the minister understands as well.

The Chairman: Is the new radar testing system now operational? Have you used it successfully?

Mr Kelly: Yes.

The Chairman: So you will now use it before you call for a tender on any bridge reconstruction?

Mr Kelly: Yes, we use it during the design stage to determine what damage-----

The Chairman: It has proven to be accurate, has it?

Mr Kelly: Yes.

Mr Faubert: Mr Kelly, in response to Mr Pelissero when he asked about repair, I thought you had mentioned-----maybe I misunderstood you-----that it no longer is going to be a problem in the future.

Mr Kelly: What I am saying is that with the new bridges we design, we are designing so we should not get spalled concrete on the surface.

Mr Faubert: That is what I took from that.

Mr Kelly: If they work the way we design them, yes.

Mr Faubert: That has not been in place long enough to-----

Mr Kelly: All our new bridges have epoxy coating on the reinforcing steel. We use dense-type concrete on the surface to stop penetrations.

Mr Faubert: You are talking about the spalling; that is primarily the corrosion of the reinforcing rod that causes the concrete to chip, crack and come away?

Mr Kelly: The concrete spalls because of salts and things.

Mr Faubert: But you have offset that in new design?

Mr Kelly: Correct.

Mr Adams: The technique you referred to as radar is actually radar, is it?

Mr Kelly: Yes.

Mr Adams: Something goes in and bounces?

Mr Kelly: Yes.

Mr Adams: I always envisage radar as dealing with surfaces. So you are actually dealing with something that goes through one layer and picks up some surfaces but not others?

Mr Kelly: That is correct. Depending on the way it bounces back and the speed at which it bounces back, you can determine the density of the material you are driving over.

Mr Pelissero: Batman technology.

Mr Adams: It is not like a seismic thing; it is not a sonic thing. It is actually a radar-type function?

Mr Kelly: Yes. We run machines over the road that use sonar rather than radar to determine the condition of the pavement. It drives along at 80 kilometres an hour and bounces little rays off.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

ANNUAL REPORT, PROVINCIAL AUDITOR, 1988:
MINISTRY OF TRANSPORTATION

MONDAY 21 AUGUST 1989

Afternoon Sitting



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Philip, Ed (Etobicoke-Rexdale NDP)

VICE-CHAIRMAN: Pouliot, Gilles (Lake Nipigon NDP)

Adams, Peter (Peterborough L)

Ballinger, William G. (Durham-York L)

Charlton, Brian A. (Hamilton Mountain NDP)

Collins, Shirley (Wentworth East L)

Cousens, W. Donald (Markham PC)

Fawcett, Joan M. (Northumberland L)

Nicholas, Cindy (Scarborough Centre L)

Nixon, J. Bradford (York Mills L)

Villeneuve, Noble (Stormont, Dundas and Glengarry PC)

Substitutions:

Dietsch, Michael M. (St. Catharines-Brock L) for Ms Collins

Faubert, Frank (Scarborough-Ellesmere L) for Mr J. B. Nixon

Johnson, Jack (Wellington PC) for Mr Cousens

Martel, Shelley (Sudbury East NDP) Mr Charlton

Clerk: Manikel, Tannis

Staff:

McLellan, Ray, Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Transportation:

Puccini, Richard, Executive Director, Municipal Transportation Division

Nethercot, Ian, Director, Municipal Roads Branch

From the Office of the Provincial Auditor:

Sciarra, John, Administrative Assistant

Osti, Ezio M., Director, Ministry and Agency Audit Branches

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday 21 August 1989

The committee met in camera at 1405 in room 228.

1436

ANNUAL REPORT, PROVINCIAL AUDITOR, 1988
(continued)
MINISTRY OF TRANSPORTATION

The Chairman: I will call to order the meeting of the standing committee on public accounts dealing with section 3.14 of the 1988 Provincial Auditor's annual report. From the auditor's office, we have Mr Osti and Mr Sciarra. Mr Osti has done the audit on this particular matter. The members of the committee have been briefed and are familiar with the auditor's comments as well as the responses from the ministry. I take it we have Gerry Johnston, the assistant deputy minister, here.

Mr Puccini: Let me correct that. My name is Richard Puccini. I am the executive director of the municipal program at the ministry. With me is Ian Nethercot who is the director of the municipal roads branch at the ministry. Apologies from Mr Johnston and the deputy; vacations are taking them away.

The Chairman: Thank you, Mr Johnston and Mr Puccini. We have—did I not pronounce it correctly?

Interjection: You said Johnston.

The Chairman: I am sorry, Mr Puccini and Mr Nethercot; I apologize.

We have essentially three issues. I suggest we address ourselves to two of them together and then the third one as a separate issue. I think the municipal fringe benefits are an issue separate from the other two issues. Maybe we can deal with that later and not concern ourselves at this point in time.

One of the issues looked at by the committee was the possibility of cutting down field visits to the municipalities with more sophisticated audit and management systems. We were also concerned about the auditor's findings of differences in maintenance costs from one municipality to another municipality of similar size and his concern about the lack of monitoring by the district offices in this regard. The auditor pointed out the possible need for value-for-money audit work in those municipalities that seemed to have incurred the highest costs. Essentially, those are the first issues we would like to deal with at this time. Later in the afternoon we can ask some questions on the municipal fringe benefits.

I wonder if you have any comments in addition to the written comments you made to the auditor and then the members can ask questions from there.

Mr Puccini: We did prepare a brief opening statement, and then of course we will be pleased to help you as much as we can with questions.

The Ministry of Transportation's municipal roads program provides financial and technical assistance to the municipalities for the maintenance, preservation and development of the municipal roads system. The purpose of the program is to encourage and support the provision of a local roads system that meets the requirements of the local residents and of business and society in general.

The local roads system is an essential component of the overall provincial transportation network and complements the King's highway system in providing mobility throughout the province. The municipal roads program dates back to 1901—I think one of the longest-standing transfer payment programs of this government—and has developed and changed over the years to respond to the needs of both the province and the municipalities.

Concerning the Provincial Auditor's report, the ministry is pleased to note that the auditors found the ministry's control over the allocation and payment of municipal roads subsidies to be adequate. The auditor also made certain observations regarding the monitoring of municipal expenditures. The ministry has responded to these findings of the auditor.

Now to address the three issues you mentioned: The auditor has stated that a re-evaluation of our field visits is needed. The ministry considers these visits to be an essential part of the program's administration to ensure that municipalities are properly managing construction projects, to help in the planning of the ministry expenditures and to provide technical advice, particularly to smaller municipalities. The ministry's staff will be reviewing its current policy with respect to field visits, but we do see a need for continuation of field visits. We feel they have three useful functions for us. Notwithstanding that, we are certainly prepared to review our existing policy on the timing and depth of our field visits.

The auditor also concluded that municipal maintenance expenditures are not subject to any cost controls. Clearly, the municipalities have full control over their road maintenance expenditures. They set standards and levels of service appropriate to local conditions and the ministry controls its own expenditures by providing allocation for road subsidies. These allocations are the maximum amount the ministry will provide in road subsidies in any one year to a municipality. Expenditures by municipalities in excess of the amount supported by the allocations are made without subsidy and at full cost to the municipality.

In many cases, we feel there are valid reasons service levels do vary between municipalities. However, again, recognizing the need to control the cost of road maintenance to the taxpayer, the ministry has been working with and has supported the efforts of the Ontario Good Roads Association in its productivity improvement program. We should note that the field visits by our staff commented on in the earlier finding provide our staff with the opportunity to discuss ways of controlling maintenance expenditures with their counterparts in the municipalities.

Finally, the auditor identified disparities in municipal fringe benefits. Fringe benefits are dependent to a degree on the agreements made between employers and employees and on the age profile of staff. It does not seem appropriate for our ministry to take a position on either of these items with the municipalities. However, we will be discussing the audit finding with the Ministry of Municipal Affairs.

I guess what I am trying to say in a roundabout way is that an approach on this issue does not just deal with the people employed in the roads program; it deals with all municipal staff and we should probably be talking about this finding with Municipal Affairs to see if there is some province-wide approach that is required. With that, we would be pleased to answer any questions you may have.

The Chairman: Mr Osti indicates he has no comments on your opening statement, so I am going to turn it over to the committee.

Mrs Fawcett: Areas that have county engineers: Do you notice a difference in the monitoring required by the ministry? In our county study, we were looking at careful planning and so on. I know our particular county has an engineer. I am just wondering if there is any difference or are you still required to go in as much.

Mr Puccini: I think if we take it all the way up to jurisdictions such as Metropolitan Toronto that obviously have a very sophisticated and high level of professional staff, and to counties and regions similarly, right down to townships where perhaps you have a roads superintendent, certainly there is a variation in terms of what the field visit provides. At the small end, we are much more involved in providing advice, assistance and helping people in their task.

At the high end, even if it is Metro Toronto, it is my belief that when we are giving out this level of expenditure, we should be making periodic visits to make sure they are following proper tendering procedures and good program management, and also to help us plan our expenditures. It is important for us to know what they may be looking at two, three and four years downstream so that we can go the Treasurer and talk about what allocations we may need.

Mrs Fawcett: I just noticed in our county study that there were some areas that did not have a county engineer and I just wondered if that made any difference. Would that increase the number of visits you might have to make to an area that would not have one?

Mr Puccini: I will let Ian comment on that.

Mr Nethercot: The county engineer's basic responsibilities are only for the county roads system, although he does obviously provide some advice to the roads superintendents in the local municipalities.

Mrs Fawcett: I know they certainly do in ours. We can access our county engineer at any time.

Mr Nethercot: That probably makes a little bit of difference, but not a great deal. From a technical advice point of view, there is less need to come to the ministry because they can go to somebody who is closer at hand.

Mr Adams: It is nice to see you again. In the minister's response, it mentions a Management Board of Cabinet project to confirm the accountability for transfer payments. I wonder if you could comment on that project and on any impact it is having or is likely to have on your transfers.

Mr Puccini: I think our program is recognizable within government as probably the major transfer payment program within government and obviously has a very long history. We have been working very closely with Management

Board staff and staff of the municipal audit bureau, for instance, talking about what kinds of guidelines are appropriate.

The feeling I get is that probably some people may think we take accountability a mite too seriously in the municipal roads program. We have a very heavy component of monitoring and follow-up, and policy and procedure manuals up to the ceiling. We are certainly working with Management Board and will comply with whatever final guidelines are issued.

Mr Adams: At what stage is that project?

Mr Puccini: I believe we have seen some draft guidelines for managers on transfer payment accountability.

Mr Nethercot: There is still quite a lot of discussion going on at this stage.

Mr Puccini: There is now a directive from Management Board on transfer payment accountability.

Mr Adams: I am interested in what you said about your being overly concerned about accountability. In fact, that comes out of the auditor's comments because normally on this committee we get complaints from the auditor that people are spending money without appropriate accountability. In this case, it is quite the opposite. That is rather interesting.

This question of the site business comes into that. In your remarks, Richard, you again made the point that you think they are an integral part and you explained the three functions and so on. Essentially, the auditor is saying that, say in the case of the larger municipalities, you are expending too much valuable time on the site visits.

In the light of this directive that has just been mentioned, and in the light of what the auditor has said, do you think that is true, at least for the larger municipalities, that there might well be a reduction in site visits?

Mr Puccini: I have only been in the position for two years, so I am still learning a great deal. One of the yardsticks I personally use is, when we meet delegations at the Ontario Good Roads Association convention, and last year we met 90 delegations with our ministry staff—

Mr Adams: Might I say that is when you and I last met. I really admired your stamina. I have no idea how you managed to do that.

Mr Puccini: My reaction in those meetings is that a delegation comes in from some small township I have not yet visited, and our staff is there, the people who are making these field visits, and in every case the report has been excellent, both at a staff level and to some extent at the political level, that our people had a good handle on what is going on, what the needs are. Certainly, the impression I get is that we are doing an adequate job of liaising with the local people.

We have many pleas for assistance, for advice, for how you do this, and our staff is there to provide it. For a \$700-million program, I think we have a total of just over 50 field staff, and to cover 800 municipalities around the province—maybe there are some efficiencies and we will certainly look for

them, but whether we should not be doing it is something I would resist very strongly.

The Chairman: I gather you have supplied a copy of the new Management Board directive to the provincial auditors. They have just received it, but it might be useful if you were to send another copy to the clerk for distribution to the committee.

Mr Puccini: We will certainly arrange for Management Board to provide your clerk with a copy of that new guideline.

1450

Mr J. M. Johnson: Mr Puccini, I would like to just congratulate the ministry on the number of visits and encourage you to keep it up, regardless of what the auditor says.

I have nothing but compliments for the Stratford division. Hardly a week goes by that we are not in touch with them about some problem that a constituent or municipality has in the county of Wellington and 21 small municipalities. They always need some assistance. We are in touch with them, some of the local municipalities, and the visits are really well received. They seek your advice and when delegations meet in Toronto in March at the Ontario Good Roads Association convention, they always look forward to meeting with your group.

I feel that if they did not have this advice they would each have to go and hire expensive engineering services of someone in this capacity to serve the same purpose, and still you would not have the control. I served on municipal council for many years, and before we would plan any road we would contact the ministry and seek its input on the best way to achieve the desired result. It was always beneficial to both parties. I strongly encourage you.

We are not dealing with winter control at this time, Mr Chairman? That is the next one?

The Chairman: We are dealing with every matter except the fringe benefits, so you can raise any of them.

Mr J. M. Johnson: The town of Mount Forest is in the heart of the snow belt. That is my home town. The difference in cost in clearing snow between Mount Forest and even 15 miles south is dramatic. Another 15 miles farther south there quite often is no snow. In certain areas winter control, sand and salting, can be tremendous. We can have snowbanks 12 or 15 feet high. By 1 February, we have to bring in the rotary plows to push it back and it is extremely expensive.

The small side roads have the same problem. When you have school buses on, for safety's sake you have a lot of maintenance to keep the corners clear. In an area in my riding from the north part to the south part, there can be three, four or five times the cost for the people in the north compared to the south and I am only talking of 60 or 70 miles' difference. In winter costs alone, there can be a tremendous difference.

I also feel that because of the hardship on the roads with this extra salt put on them, they require more maintenance in the summertime to bring them back up to condition. I would put in a pitch that certainly there can

quite logically be a dramatic change in the costs of rural versus city, and even in the same county that I represent.

Mr Puccini: I certainly, on behalf of our field people, thank you very much for your initial comments. I think part of what we see is that we are basically in the same business. We are responsible for the provincial highway system, so we have a strong background in research, engineering and environmental problems that arise, so we can provide assistance to many municipalities.

I think we also see from your latter comments that in many cases there are good and valid reasons why one municipality with a similar population and a similar number of kilometres might have very different maintenance and operating costs. Whether it is the snow conditions or whether it is spraying adjacent to roadsides in an agricultural area, it has to be done much more frequently and you are ready to pay a premium for that, as opposed to when you are not in an agricultural area.

Notwithstanding that, I am sure, as with anything, there are inefficiencies out there. That is why I mentioned our work with the Ontario Good Roads Association and its productivity improvement committee to see if we can educate the roads superintendents and the county engineers to take a more reasonable approach to some of their service levels.

The Chairman: I always wondered whether one municipality must own shares in a salt mine or something or other because it uses so much more of it, but I will not get into that.

Mr Faubert: They get paid by the distribution ton.

Mr Morin-Strom: Mr Puccini, the focus of the auditor's concerns certainly seems to be in the area of maintenance expenditures as opposed to construction expenditures. I wonder why you have not given a specific response to two of the auditor's findings, most specifically in the area of maintenance. The auditor reached a specific conclusion that while controls over construction costs are more than adequate, municipal maintenance expenditures, which constitute more than 50 per cent of total subsidies, are not subject to any cost controls. That was one of the conclusions.

The second recommendation related to cost of maintenance. Again, he made a recommendation that consideration should be given to conducting operational or value-for-money audit work at municipalities incurring comparatively higher maintenance costs. I wonder if you could now respond to those, the one specific conclusion and one specific recommendation that I do not think was directly addressed in your response.

Mr Puccini: Okay. Maybe I will start off and let Mr Nethercot give you a few illustrations of some of the findings in the audit report that we think are explainable differences in service levels, if you like. I think our basic approach is to recognize first that this is a transfer payment program. The ministry is not running the municipal roads network as we do the provincial highway network. We feel it would be inappropriate for the ministry to say, "Okay, towns of this size, this is how many times you should plow; this is what you should do for this," and tie them down with specific guidelines.

Basically, our control on maintenance allocation from the provincial side is that we have so many dollars to allocate. They are allocated in a

reasonable manner to the municipality and are based on averages. If the municipality chooses to plow the streets three times as often as required, it will find that it will be paying for that at 100 per cent of the municipality's expenditure to support, let's say, an excessive service level. I think our overall reaction is that in a global sense the kind of saving that was identified in the Provincial Auditor's report is not likely to be achievable. Notwithstanding that, we will look at improvements. Maybe Ian could illustrate a couple of specific examples.

Mr Nethercot: In response to your question, we did not go back to redo all the auditor's calculations to confirm whether the numbers he had put together were correct or the same as ours. What we did look at, just in general, is the kinds of comments that were made. In one particular one—I think it was one of the eastern counties—there was a comment about the difference from year to year for roadside litter pickup. It illustrates one of the problems we have, which is the different reporting practices and the different sort of year-to-year activities.

In that particular case the county was charging the time to standby in previous years. In this particular year they decided it was more appropriate to charge it since, although they were on standby, they were doing litter pickup while waiting for the weather or whatever the situation was, and were charging it to litter pickup. So you have a difference from one year where it is charged to standby and the next year where the same activity is being charged to litter pickup. It is still a standby activity, if you like, so there is a real problem in how different people report their activities. As Richard explained, each municipality is its own corporation. It sets its own standards. It also sets its own practices for reporting the work. We do not say that each activity has to be broken down into a specific description.

We did try, 10 or 15 years ago, to compare a number of municipalities that had maintenance management systems. We found that even where they were using an almost similar reporting system, it was almost impossible to make direct comparisons between municipalities. Some would include certain activities in roadside maintenance, others would include it elsewhere and there were different methods of recording overhead, so we find it very hard to make the comparisons that are made by the auditor. In terms of winter control—and Mr Johnson has already made the point, I think—you get very different kinds of winter conditions, even in very close geographic areas.

1500

Also, the type of municipality can make a difference. Burlington and Hamilton were compared by the auditor. First of all, Hamilton has the mountain, which creates a very different situation as far as winter maintenance requirements are concerned. Burlington is a largely residential, suburban type of community whereas large parts of Hamilton are a much more centralized urban community with industry. You have to remove the snow from the side of the road in Hamilton but in Burlington you have boulevards where it can be plowed on to and just left for nature to remove it over time, so you are getting very different kinds of requirements from one municipality to the next.

Mr Puccini: Another example was the Kitchener-Guelph comparison in terms of grass cutting and weed spraying requirements. Again, if you look at the city of Guelph and its true geography, there are many rural areas there, whereas Kitchener is more highly urbanized. The premium, perhaps, on weed spraying in the areas of Guelph that are adjacent to agricultural lands would be at a higher premium.

I guess what we are saying, with due respect to the Provincial Auditor's staff, is that the idea of averaging and looking at groups of municipalities might make sense, but when you get below the surface, in many cases you can find good and valid reasons. Part of our activity by our field staff is to understand what those differences are and to encourage the municipalities that appear to have an excessive service level to reduce their trips.

Mr Nethercot: One other difference between Kitchener and Guelph is that Guelph is responsible for all the roads within the city of Guelph because it looks after both the local streets and the arterial road system, whereas Kitchener only looks after the local road system. The arterial road system is looked after by the regional municipality. They are, again, addressing different service levels for different kinds of roads.

Mr Puccini: The issue that you raise concerning value-for-money audits, I guess that is something we should pursue with the Ontario Municipal Audit Bureau. I would be the first to say that our current audit is largely a compliance-type audit. They go in and determine whether the expenditures are in line with policy. We have reams of policies in this program. Certainly, the concept of a value-for-money audit is well accepted, and we will talk to them about introducing more of that into our municipal road audit function.

The Chairman: I think, though, that the issue the auditor is raising is that you seem to be saying there are excuses, the mountain and so forth, but you do not seem to know exactly why there are some differences. I guess that is the point the auditor is making, not that money is being spent where it perhaps should not be spent, but that you people should at least have some explanation that you can live with, that you can look at and that you can say definitively, not simply that there is a mountain or that there tends to be more snow 20 miles away from a community or not. You do not seem to be able to answer those questions and that is why he has asked for the value-for-money audit.

Mr Puccini: We are certainly prepared to follow up, based on this audit, with a more in-depth examination of the issues the auditor has raised. There is no question at all that we are prepared to do that. Mr Nethercot is in the process of moving to Timmins, so it may be a bit of time before it gets to number one on his job list, but we certainly are prepared to look at it.

Mr Morin-Strom: Just one further question. The auditor did not directly address the issue as to whether our road system is being maintained overall, and the municipal roads by the municipality, at an adequate level. A lot of our municipalities have been complaining quite vociferously that they are not getting adequate allocations to keep up the conditions of the roads, and we hear groups like the Ontario Good Roads Association, of course, saying that our highway systems are deteriorating, but I think it faces municipalities as well. Certainly, I would think that you have to address the issue of what is the adequacy of our municipal road system. Is it being maintained or, given the funding constraints that the Treasurer (Mr R. F. Nixon) perhaps is putting on your ministry and then you are in turn putting on the municipalities, how are you assessing the overall condition of our municipal road system and determining whether that is deteriorating, as a number of municipalities have been contending?

Mr Puccini: Maybe I will let Ian talk to that one in terms of what we do to determine the adequacy of the system.

Mr Nethercot: As you may be aware, we do conduct needs studies in

all of the counties and regional municipalities and in the larger local municipalities. Based on the information we get from those, the county system is definitely being maintained to the historic levels, if you like. The regional system has probably declined slightly but is generally close to its historic level. The local road systems vary considerably from municipality to municipality. Certainly some of the larger urban systems have declined over the last number of years. We do not have any measure in the small municipalities.

Mr Morin-Strom: Are these measures of comparison public or could they be made available to the committee?

Mr Nethercot: The needs studies are in fact conducted by the municipality or its consulting engineer, using a manual and a standard procedure that the ministry has put together in consultation with the municipal engineers.

Mr Puccini: This is all publicly available. The per cent adequacy of a municipality's road system is publicly available information.

Mr Dietsch: Just to follow up on Mr Morin-Strom's point with respect to road needs studies, do you have a policy with respect to municipalities requiring that road needs studies be carried out in order to assess whether or not their roads are in fact being kept up to what would be considered a quality standard? I know there is money to help pay for road needs studies that municipalities carry out. My municipality that I represented in municipal government certainly had one and had it updated on a frequent basis. I am just wondering whether the policy covers all municipalities or not.

Mr Nethercot: As I mentioned, first of all, there are only some 170-odd municipalities that in fact have needs studies. We do not insist that they conduct them, but their following year's allocation is based on the results of that study, so I guess it is in the municipalities' interests to update their study and make sure that it does properly reflect their outstanding needs. If they do not update it, we will update it for the improvement side only, which is all we can do from our side, so effectively it would have an impact on their allocation in future years.

Mr Dietsch: The fact that there are only 170 municipalities that have road needs studies completed means the other 600 and however many, 660 or in that neighbourhood, are actually in a different position from their requirements for subsidy?

Mr Nethercot: Yes. We do not feel that it is necessary for a large number of municipalities to conduct the formal kind of needs study that we carry out in the bigger municipalities. The kinds of numbers in terms of needs do not warrant that kind of effort.

What we have been recommending to a number of the small municipalities of late is what we call a road management study. It is something that you would do maybe every five years. It is much simpler, much less formal than a needs study, but it still gives the municipality a measure of what is required to be done on its road system and a very simple planning tool to plan how that work might be addressed over the five-year period.

Mr Dietsch: That brings me to my next question. How does the ministry communicate its potential for improvements on the roads to local municipalities with regard to some of the points that the auditor raised in

using a municipality in comparison to another municipality and the fact that they were drawn out of a close regional situation? Does the ministry have any mechanism of sharing with municipalities improvements that they can make within their system to get the best use of their dollars?

1510

Mr Puccini: If I can comment, when you go out into our districts, you have municipal technicians who represent or are responsible for maybe anywhere from six to 20 municipalities in their geographic area, just by word of mouth from that individual looking at practices in one and talking to people in the others. Plus they communicate among themselves and come into head office for various training programs. There is a lot of that kind of interaction that goes on with our district and municipal staff.

The other thing that we started about two years ago, through the Ontario Good Roads Association, is that it hired a former road superintendent—Hans Muntz is his name—and over the last two years he has been developing a program, particularly for the small ones that do not have the needs study that you talked about earlier. He has basically set up a publication that shares good practice among the road superintendents. He has set up an awards program whereby they collect good ideas from one municipality and share them with others. Finally, he has gone out for visits, one on one or in groups up to 15 or 20, and is available for consultation at Good Roads conventions.

We have been working very aggressively, I think, providing the personal peer-type assistance that will lead to more uniformity in terms of service levels and other factors.

Mr Dietsch: My last question is in relation to controls of costs, for example, in winter controls. Does the ministry do any studies or have any recordings with respect to environmentally safe controls for winter control? For example, where there seems to be a lot of salt used on roads for winter control and there is a rather large breakdown of road surface as a result of the use of salt, as well as the spilloff environmentally along the agricultural aspects of corridors along roads—for example, the Queen Elizabeth Way—and some recent liability suits in that area, what has the ministry done with respect to ensuring environmentally safe practices?

Mr Puccini: I will let Ian contribute to this one. The ministry's research program related to our highway system is probably as good as any in North America, but we have been very active over the last 10 years, I think, looking for environmentally acceptable alternatives to road salt. We have had some test sections on the QEW and elsewhere and are working with all the other highway authorities in North America on this very difficult issue. That expertise is of course immediately shared with our municipal counterparts. This year, we have instituted what we call a demonstration program and are taking candidate townships or counties that are willing to try some alternatives, whether it is different types of salting or dust suppressants, etc, any improved technique that we are willing to fund at a demonstration level, again to share the expertise around the province.

Ian, I have covered the waterfront, I guess.

Mr Dietsch: I said that was my last question, but one point that brings to mind is in relation to those types of programs, which I think are programs that we have to move into because we do not know the long-range costs of the things that winter control is using now, with the province going in

what I would like to consider an environmentally safe vein for the future. So I think those are very important areas that have to be explored to the fullest.

Mr Puccini: The only liaison that I have left out is that we have a municipal engineers' advisory committee, a very strong municipal engineers' organization in the province. We meet every two months in Toronto and we bring not only our own staff, whether they be from research or whatever, but we will bring people in from the Ministry of the Environment to liaise with this group. I think we have got excellent working relationships and excellent communications channels.

Mr Villeneuve: That is exactly the line of questioning I will pursue. On a number of occasions, I have discussed the use of calcium magnesium acetate as a replacement for the mountains of salt that are being used. It is my understanding from research done that it would be 90 per cent less corrosive; only 10 per cent as corrosive as conventional salt.

Certainly, the problems that have occurred environmentally and the problems we are now seeing with the structures and the road itself being extensively damaged by the increasing use of salt, in spite of the fact that our winters have possibly, certainly in eastern Ontario, seen less snow—I have certainly accompanied many delegations of rural municipalities to your offices, and I appreciate that both Mr Nethercot and Mr Puccini—

I think we have to look a little deeper into this: It may cost more on the surface to use a replacement that is much less corrosive and harmful to the roads and the structures and of course our vehicles, but I think the long-term solution would be a much more environmentally acceptable product and, second, cars might last a little longer; I suppose that may be a double-edged sword.

It is always interesting that structures and equipment are your priority, yet problems caused by large amounts of conventional road salt create major maintenance and upkeep problems.

First, the CMA issue and, second, for the five and a half years I have been accompanying municipalities, it is always, "Equipment and structures are the first and second priority, not necessarily in that order." Sometimes it may induce municipalities to buy equipment that may or may not be necessary when they know the Ministry of Transportation is more ready to fund those than, say, maintenance on roads which, I can assure you, do need maintenance, as you are well aware. First, the CMA issue and, second, the priorities as the municipalities present them to you.

Mr Puccini: Your points on the CMA road salt alternatives issue are, of course, very well taken; I wish I had my research people here to help me through this. I live in Richmond Hill, which is one of the few communities very actively investigating alternatives. In fact, my streets are not salted and cause me some degree of difficulty; I have an inclined driveway. Setting that aside, there is very active research under way on alternatives. Some of the issues to do with CMA, as I understand them, relate to cost, relate to availability of supply. I also believe there is some question about the performance in extremely low temperature.

All I can say is that our research people would be more than delighted to have a corrosion-free alternative emerge that satisfies some basic criteria. We have no desire to see cars rust out early or see structures decline early. We are supporting internal research and we are certainly prepared to support municipalities investigating alternatives.

The issue of priorities that you mention comes up in discussion of supplementary funding. We give the municipalities their basic allocation and then we usually find ourselves with not enough money in the supplementary pot to do everything that everyone wants, so we have traditionally set our priorities as structures and equipment. Structures, often because there is no alternative; you are looking at something that may have been posted or the cost has been identified as something well beyond what any township could afford to support on its own, and it is just something on which you really do not have any leeway at all. It has to be done as quickly as possible.

Equipment I think comes next, again because it is a very large lumpy expenditure for many townships, but also because if the alternative is to put money into the basic program, that issue is really handled in their basic allocation. If we had more money for the basic upkeep of the road system, they would receive it in their basic allocation. The supplementary pot has really been targeted for those one-time lumpy expenditures that really cannot wait.

1520

Mr Villeneuve: Supplementary to the use of CMA: We are always told it would be in the \$400 and \$500 per tonne cost range, as opposed to \$35 or something for conventional road salt. If indeed they were guaranteed volume use, not just on a kilometre or two but a stretch of Highway 401 in central or southwestern Ontario, wherever, for 40 kilometres we are going to be using CMA, and see just what it does over the long term and start promoting its use on a volume basis, we would see the cost of production—I think it is directly related to a number of input costs, and one would be Ontario-grown corn as a basis for the product. I think we have the potential of running a true trial, where we would have some volume and some records to show what happens and what the pros and cons are.

We have to add into that the premature rusting of our vehicles and the premature deterioration of the roadbed and the structures. I guess 20 years is about all you can expect with the heavy use, in eastern Ontario anyway, of conventional road salt. I have spoken to people who work for MTO and they tell me that the steel in these structures is effectively all gone, it has been thoroughly eaten out by road salt, and replacing some of these overpasses is not cheap. If you gave it a volume test it might present a totally different picture than a very small area, which does not represent a very good—

Mr Puccini: I will be happy to provide the committee with the latest status of our activities in terms of looking at salt alternatives. Again, my impression is that we are going full-bore to investigate the technical issues, the performance of it. We certainly recognize that today's costs for small quantities can be driven down considerably in a long-term scenario. But I think perhaps it would be easier to provide you with our latest status on what tests we have done and what further tests we are planning.

Mr Villeneuve: You will get cheap corn coming up this fall, I can tell you that.

The Chairman: Just so you know the list, I have Miss Martel, Mr Faubert, and Mr Adams. Miss Fawcett has a supplementary so I am going to let her have a supplementary.

Mrs Fawcett: We had the (inaudible) before our rural caucus and I am just wondering: Are you working with a group of them, actively pursuing this kind of thing right now?

Mr Puccini: Yes. It is just not my area of expertise. It is within our research division and our highways program that they are running the test sections. My impression from talking to the individuals involved is that they are very eagerly and anxiously pursuing this salt alternative. We are not built into a position to say no.

Miss Martel: I just want to go back to the issue of municipal maintenance costs. I take it that at some point or another there is a maximum subsidy that a municipality can receive in this regard, and if they choose to go over in one particular service area that is their business and they pay for that in the end. Keeping that in mind, the ministry does not have any record of where they might be going over, although you have some reason why they might, as we have been given some examples this afternoon of Burlington, Hamilton and the mountain, etc.

I am just wondering if it would not be worth considering that if you were keeping some kind of more adequate, perhaps more in-depth, look at the reasoning behind some of these expenditures, you may be able to change some of your policy and determine whether or not some of the subsidies are in line with some of the problems municipalities are encountering. For example, if you have a large number of municipalities consistently going over the subsidy because they are consistently dealing with the problem of snow removal plus garbage pickup plus maybe one other issue, could that information, if it is put together properly, not be used to shift the policy of the ministry to determine if the subsidy levels are adequate; that there should not be a limit, but it should be looking at limits in different categories instead of an overall maintenance limit and things like that? I am just wondering if the information could be used in that way if it were accumulated in a different manner.

Mr Puccini: I think your point is very well taken. Our initial comment relates to the fact that we collect a great deal of information; if you talk to municipal staff, they would perhaps suggest it is far too much in terms of forms and whatever. We do have a good handle on who is overspending, how much they are overspending; we have a feel for why they are overspending. I think much more can be done with a co-operative approach, ie, talking to people about why their service levels are such and whether they know that other people are using different service levels.

You often get into very local political situations. Council has determined that the roads shall be cleared at this frequency in response to very active ratepayers or whatever who have complained. To me, it is very hard, under our current provincial-municipal relationship, for us to take on the mandate of saying, "Okay, we will decide what the appropriate period for snow clearance is." That is something that tends to get decided locally.

If we had an open-ended subsidy policy, I think it would be our responsibility to be much more active, but basically, things are relatively capped. Yes, we could collect more information, look for patterns and amend our policy. I certainly agree with that point.

Miss Martel: I am not suggesting that you go in and tell municipalities how many times they do that. I am suggesting that if you started to follow it, if there were a pattern where many municipalities over a long period of time—Perhaps the problem is not so much their determining their own priorities but that they just do not have enough money to do different things in different categories on a long-term basis.

Mr Puccini: We are certainly prepared to look at that.

Mr Faubert: Just a couple of brief comments first and then I have one question related to the inspection aspect, that C-4 recommendation of the auditor.

First, I was glad Mr Nethercot gave us the small lecture on urban design and its importance to winter maintenance. If you are ever in a major urban centre, you are constantly under pressure from the Urban Development Institute to reduce the boulevards and cut back on the area in which snow can be stored. It is obviously essential. It is a lifetime saving for the municipality just on urban design, the cost per kilometre. Large subdivisions do not require removal within them; it is just cleared back to the snow storage of the boulevard. It is a very essential part of urban design, whereas downtown it has to be picked up and moved away.

There are other factors, including whether a city has transit, because who picks up the cost? It is usually the municipality that picks up the cost of clearing the landing areas and the stops at the corners and things such as that.

The other thing relates to why arterial roads cost less per kilometre than subdivision roads. Obviously, again, it is design and the fact that urban arterial roads tend to be those in the regions which are faster clearing than those which are the interior subdivision roads of the lower tiers.

Just one quick supplementary, though, on CMA, the alternative to salt. That has probably been the longest question that is always raised to the province. Why do you not go into it? Why do you not go into some type of effective experiment? Mr Villeneuve raised that very effectively, about doing this so you could get some idea of costs on production of the product. The guarantee of assured supply of the product: I think you raised that, Mr Puccini. It seemed also that the only factor against the alternative was its performance at particular temperature levels. I take it that is really the major objection.

Mr Puccini: It is the major area of further research. Basically, salt, for all its environmental problems, does the job in all circumstances. As I think the chairman indicated, some municipalities tend to lay it on very heavily.

1530

Mr Faubert: Some have different kick-in points regarding when they salt. In certain snowfalls it is automatic though.

Mr Puccini: This other product has to demonstrate good performance. There is no question that cost will be an issue, but we are not projecting on small-quantity costs, we are projecting on how much costs could come down in terms of volume production.

Mr Faubert: My other question relates to the comment under C-4, and that is the level of inspection. The ministry's response is, "In the meantime, we are satisfied that the field visits continue to be essential to the proper administration of the program." I take it from your comments that as long as you are responsible or accept accountability for the program and the distribution on a provincial level, you are going to inspect it. I do not want to say it is cover your own ass, but is that really what you are saying? You

are going to continue to inspect at whatever level you feel is necessary to assure accountability at the local level, no matter how sophisticated or opportune it is.

Mr Puccini: When you cut away what I have said, I think there are two issues. There is a heck of a lot of money going out. We are talking in the order of \$700 million a year going out in this program, and I want more assurances than somebody in Downsview sending cheques out that things are happening as they should.

The other issue to me is that there is one road system out there. We may have a provincial highway network and a certain mindset, but we do not start and end our trip on the provincial highway system. Goods and people move on the local system, on the arterial system and on the provincial highway system as one integrated transportation system. The people we have going out explain the provincial highways program and answer questions about the provincial highways program just the same as they offer guidance and interact on the municipal road systems.

So for those two very strong reasons, I guess I feel quite strongly that we do need strong interaction at the field level with the municipalities; and yes, we will look at it, but it will not come down to zero staff requirement.

The Chairman: Since you mentioned \$107 million, can you put a price tag on what it costs for the 105 field officers who are spending 50 per cent of their time on these visits? Is it at all possible that, as a result of the Management Board study, you will be reducing some of that time?

Mr Puccini: In terms of what was in the audit, I think there was an identification of something around 67 field staff assigned to the program.

The Chairman: I thought the figure was 105.

Mr Puccini: It is 105 in total. That would include our head office component. Since the time of the audit, with our retirement profiles, we have made certain moves and I think we are down now to about 57 or 58. There may be a 10 per cent reduction from the value that was there in the audit paper, because we had an opportunity with someone retiring to reduce the level of effort required in that district. I would guess then that we are talking 60 people. Logically, I would use an estimate of about \$50,000 an individual, so we are talking something in the order of \$3 million that it works out to in terms of what the salary component is. I guess I honestly believe that we are probably on the margin. We might be able to look at another 10 per cent to 15 per cent saving in that over time.

The Chairman: By cutting down on the visits to certain municipalities and not to others?

Mr Puccini: Yes, but you get into geographical issues as well. Because of the area being covered, an individual may have only five or six municipalities in his area, but when you look at the distances he has to travel to adequately do his job, somebody in another region might be able to cover 20 municipalities at the same level of effort.

The Chairman: We are now starting on our second round of questions on this particular issue.

Mr Adams: I have a couple of comments and then a question about the

Ontario Good Roads Association.

As I tried to indicate last time, the first comment is that it seems to me that this time the auditor has looked at a fairly sound ship. If I were biased, it would be towards Jack Johnson's position in the sense that you are doing a good job.

Having said that, I think the auditor takes his job extremely seriously, always uses the value-for-money approach to auditing and therefore, I think it is very, very important that you not be overly defensive, particularly because you appear to be running a good show, about what the auditor says.

Let us take, for example, this wide variation in maintenance costs, which is one of the focuses. They are not saying it is a disaster, or it is a terrible, terrible criticism of you, but they are saying there is a wide variation of maintenance costs. They have a pretty good sense of the physical, administrative and design variables which result in this wide variation, but their instinct is, that is too great and they are essentially saying to you, "You should look at it." You have said—and Richard, I liked your remarks there about looking at value for money in your own approach—I think it is extremely important, having received a report like this, that you follow up on those things in a positive and creative way. That is the first comment.

The second one has to do with these environmental matters. As you indicated, you have a good handle on it. Your research is extremely good. We have discussed mainly using an alternate to salt, but as you know, there are all sorts of other things that can be done. For example, I think many municipalities have the idea that the effectiveness of salt is some direct function of the concentration of the salt solution and of course, it is not. At some point, you can literally have more salt than is efficient for the clearing of ice on the roads.

In that area, as in so many of your others, I think the business of sharing information with the municipalities as soon as you have it is absolutely critical. This goes down to sharing well-established information of an environmental nature. As Frank was saying, when you plow first, and if you do not plow, when you should put salt on and all of those things. I suspect you already have a network and you are going to say, "Yes, we have it and we are doing it."

That brings me to the Ontario Good Roads Association. You mentioned, the productivity improvement program which your ministry supports. Could you comment on it and any other relations you have with the Ontario Good Roads Association and the value of your association with the good roads people in maintaining the level and cost of services that you provide.

Mr Puccini: I would be happy to and I appreciate very much your initial comment about not being defensive on the findings in the Provincial Auditor's report, because I think maybe that is a natural reaction for people to occasionally—"How do I justify what I am doing against that finding?"

I am quite prepared to take them as constructive comments and the judgement that there is too wide a variation. Let's dig deep and see just what the situation is; again, your comment on the effectiveness of the various salt mixes and understanding exactly how to get the most productivity out of what you are doing.

I find the Ontario Good Roads Association an extremely valuable forum. I

sit on all their committees as the ministry's representative. It is the one association that I have ever seen that combines political and technical membership right up to the board of directors and alternating presidents basically, so it is a complete mixture, if you like, of the political element and the technical element.

That tends to be extremely beneficial because I think what it means is that the political element learns a bit first hand as to what the technical issues are and is hence a little more likely not to make arbitrary decisions, if I have not used too many double negatives in there.

As well as the productivity initiative thrust which has been going on for about three years now, that organization runs an education program that I think is second to none. Annually they have 700 people go through their road schools held at the University of Guelph every June. I think if you have a long history with the Good Roads and you have been to recent conferences, I think you see a much more professional approach taken by that organization in recent years.

We work very hard with them and basically you are getting out the message to the grass roots when you are dealing with the Ontario Good Roads Association. I think they have had a very positive impact on the overall productivity of the system.

1540

Mr Adams: What sort of level of support do you provide them?

Mr Puccini: I think the support for the productivity initiative is at about \$100,000 a year. Ian?

Mr Nethercot: Yes.

Mr Puccini: Beyond that—

Mr Nethercot: It has been \$50,000 over the last two years and \$100,000 this year.

Mr Puccini: It started out at \$50,000 and we have raised it to \$100,000. I think our general support for the organization is again in the order of \$100,000, or is it between \$70,000 and \$100,000?

Mr Nethercot: No, it is \$35,000 or \$36,000 a year.

Mr Puccini: I am thinking of the transit side then, I guess.

Mr Adams: Sure.

Mr Puccini: What surprised me coming into my job was that it is less than what we provide on the transit side to the transit organization. It has been a relatively modest level of support for an organization of that magnitude.

Mr J. M. Johnson: I think this new point of clarification is that, while it was very complimentary of the ministry and the Stratford division especially, it was pertaining to the auditor's comments. I would like to just state that it was not a political endorsement of the government's commitment to funding our transportation system. I am sure the ministry personnel would

be the first to concur that they could use some more dollars if somewhere in the government the dollars could be found. I would like that clarified in case anybody quotes me that I was that supportive.

I really felt that we were addressing just auditor's findings and not the concerns of some of the local areas. I know in my part of the province, Wellington, they certainly could use some more dollars and I think they have expressed that concern to the minister, but again, that goes through to the Treasurer (Mr R. F. Nixon). I just wanted that cleared.

In one example of the funding, the basic grants and supplementary grants, was there any increase in funding this year?

Mr Puccini: What we received this year was an absolute flat line from the Treasurer. Our expenditures this year were limited to exactly our funding level last year for both basic and supplementary grants.

Mr J. M. Johnson: So in actuality, the municipalities lost the cost of inflation plus whatever increases they face.

Mr Puccini: What we did was, in having our total budget flat-lined, we actually put a five per cent increase into the operations component of our allocation and let fall off in the construction side. That was intended to protect the small municipalities, particularly the townships, which really had no other option. Part of the Treasurer's rationale was to do with municipalities looking at alternative funding sources and we tried to put a little safety net in there for the small ones.

In the recent budget, the \$2-billion additional funding that was announced for transportation in the province, an additional \$200 million has been allocated for municipal roads. That will start next year.

In answer to your question, there was basically a flat line in 1989, which we adjusted to give a little operating assistance increment, and in 1990 and for the next four years we look to spend an additional \$200 million.

Mr J. M. Johnson: Since many of these committees are nonpolitical and this is one, I will not go into that.

I did mention this morning to the assistant deputy minister, engineering and construction, Mr Kelly, that I felt the one area the ministry could be spending money on would be in passing lanes. So many of the highways are in need of expansion and it is extremely costly to double, to four-lane the two-lane highways. There is a tremendous need in many of the smaller rural highways, like Highway 6 from Owen Sound to Guelph. Even if there were passing lanes, it would be relatively inexpensive compared to the other costs, and for the safety factor alone it would be well worth while.

The Chairman: One last parting remark or question on this topic, Mr Faubert.

Mr Faubert: I guess I can direct to Mr Puccini. There have been a couple of points that have been made in both responses we got, I think, that the ministry is looking into it. I just wondered if we could get some assurance or some time line on those and the extent of looking into it.

I know one relates to the field visits. I think you said, "Yes, we're prepared to review that." Are you prepared to review it and report back? I am

not sure what the reporting procedures are of the committee.

I think the other was the monitoring of maintenance expenditures, which was raised by Miss Martel. Again, you are looking into it but without a specific commitment to say, "All right, we're prepared to tell you when and how we're doing that." I wonder if we could have some form of commitment back to the committee on this.

The Chairman: I think Mr Faubert is expressing an anxiety I have. I want to be perfectly honest with you. It may not be founded, but I had the feeling this morning that the people from your ministry had specific things they were going to do that we could see the results of in a year's time. I am not sure that your appearance here will not simply be business as usual. I guess our feeling is, is this exercise we are having this afternoon useful? Are we going to get any specific results, and if so, when?

We will have to discuss as a committee what we will put in our report about this, but since I think some of us have that—I am not speaking for all the committee; I will not know until we meet in camera. But certainly Mr Faubert and I seem to have a little anxiety about where you are going as a result of this meeting. Before we write our report, I think you should have some opportunity to respond to that anxiety.

Mr Puccini: I can appreciate your comment. I think I tried to indicate, in terms of a small item but a real pressure, that our municipal roads branch has been designated to move to Timmins. We will be there as of 1 September. What that has meant is that out of 23 staff, only Mr Nethercot is continuing with the branch to Timmins, so we have gone through a total restaffing of the office. All that means is that we will be taking a little longer to do some of these activities, including the ones that are mentioned in the Provincial Auditor's report.

In fairness, I would give you my view, sir, that on the issue of field visits, with our current staffing a good 10 per cent less than what was discussed in the Provincial Auditor's report already, I do not personally believe that it is an extremely high priority to look for a major change in the level of our field visits. I would not in my own mind place a high priority on reviewing that for increased internal efficiency. I think we are very close to where we should be on that issue.

Certainly, on the monitoring maintenance expenditures, I think the comments that came from the committee were, "Yes, we hear your specifics, but why don't you look more in depth?" We are certainly prepared to look more in depth at this issue. I suggest that we would start an activity this fall. Realistically, that kind of activity would require at least three to six months to do a meaningful review. I would look to ask Ian Nethercot to fully research that issue by the middle of next year. As I say, on the issue of field visits, I can only give you my honest view that I do not see it as a big payback area for us to review at this time.

The Chairman: We appreciate your honesty. I do not think we are asking you to necessarily agree with us or the auditor and I think your comments are helpful to us. Mr Faubert, does that satisfy you?

Mr Faubert: That is fine.

The Chairman: I wonder if we can move on to the item we have deferred until last, which is the benefit packages. I think you have responded

to this and we have read your response. I am wondering if you have anything more to add to that before members may wish to ask you questions on that.

Mr Puccini: Just that the finding, I think, surprised us. It is not an area that we had looked at previously. Our comment generally is that in very few cases is this one or two isolated individuals. If the municipality has a certain benefit package, it offers it to the chief administrative officer, the treasurer, the clerk and a large number of individuals. We would not think that because of the availability of roads subsidy they would compromise their entire position with their staff to give the roads super a certain benefit package. We saw it as a broader municipal issue, and if the province should get involved in this, we would be far more comfortable working with the Ministry of Municipal Affairs in taking a position on this, because I assume its unconditional grants also go to pay these high fringe benefit levels.

1550

Mr Adams: My question simply is a follow-up on the chairman's remark before. We see in the ministry response that it says, "We will discuss the issue with the Ministry of Municipal Affairs." Are you making progress?

Mr Puccini: No, we have not discussed it with them as yet.

Mr Morin-Strom: Do you have a specific subsidization for fringe benefits that is different from subsidization for other employment costs?

Mr Nethercot: No. When the municipality goes out and does its work, it obviously have to pay the driver of the vehicle and he has its associated fringe benefit package, and we pay that as part of the cost of the operation or subsidize at least our share of the cost.

Mr Morin-Strom: I have a hard time seeing why you would want, and perhaps why the auditor would want to interfere with decisions being made between municipalities and their employees on how to split up employment costs. Employment costs are in total. To me, that is what is relevant. If, in either negotiations or a municipal decision if there is no union, in consultation with the workers there, it is decided to give a higher fringe benefit package and a lower wage settlement, or vice versa, I have some questions why we would want to get into the issue of how we split up employment costs, fringe benefits versus the basic wage. To me, the real issue is what the total employment cost is. I think I am questioning perhaps more so the auditor as to why he would bring this up as an issue, frankly.

The Chairman: I think your question is to the Provincial Auditor.

Mr Morin-Strom: Yes, but I think their response could be a similar response to the auditor.

The Chairman: Let's hear the auditor's response and then if the ministry wishes to respond, it may do so.

Mr Osti: Our point is that we do not want to interfere with the benefit package paid out by municipalities. We are talking here about funds that are paid out by the ministry. They are subsidizing municipalities as part of their own cost. In our own report, we talk about \$30 million that was subsidized by the province. When it is money coming from the province, we are saying, "If the province has paid a 29 per cent benefit package for the rest

of the provincial employees, why are we subsidizing municipalities up to a rate of 54 per cent?" We are not trying to interfere with municipal money. We are talking about provincial money going out to municipalities.

Listening to Mr Puccini again, I can appreciate that there are probably other factors to be considered in here. I think all we are trying to say is that in his efforts to deal with the Ministry of Municipal Affairs, perhaps there may be some solution for this.

Mr Morin-Strom: But does the auditor not understand that employment costs are a total of wages plus fringe benefits? When one typically negotiates or makes decisions on the splitting of those costs, if one cuts back on fringe benefits in order to maintain standard-of-living levels, total employment costs are the issue. Why do you want to even get into those kinds of negotiations or decision-making?

Mr Osti: I am not trying to say that we should cut back on total employment costs. It may be a case where the municipality may turn around and say: "Fine, province of Ontario. We will accept 29 per cent from you. We will make up the difference." I am not trying to say reduce the payment of salaries to municipalities. It may be that the municipality may decide to make up the difference, but why would the province be, let's say, overly generous with certain municipalities versus others in terms of subsidizing some of these costs? Do you see what I mean?

Mr Morin-Strom: No, I do not see it at all because I do not see it as being overly generous, because the wage rate is lower as a result. If a municipality decides to give a wage benefit package that is weighted towards benefits and cuts back on wages as a result, why are you saying that is suddenly a subsidy on the one side, when one could take the opposite perspective that it is cutting back on the wage thing?

Mr Osti: I should clarify: generous in respect to you as a provincial employee or myself who is getting a 29 per cent benefit package. I live in Toronto. People, let's say, employed by the municipality of Metropolitan Toronto receive a benefit package of 54 per cent. So I am saying "generous" with respect to municipal employees who live in Toronto, for instance. If you want to compare yourself as a provincial employee living in Toronto to municipal employees living in Toronto, they are getting a much more generous benefit package. I am relating it in those terms. I am saying that if you are getting a 29 per cent benefit package and you are trying to subsidize a municipality, why do you not pay out 29 per cent and let the municipality make up the difference if it so desires?

The Chairman: I think what Mr Morin-Strom is trying to point out is, why not examine the total package rather than the individual components? The bottom line is, how much money is paid out in total? If someone is paid \$8 an hour and gets 50 per cent wage benefits on top of it and someone else is paid \$12 an hour and receives 29 per cent, what is the difference if it all comes out as the same amount of money that is being paid out? I guess that is the point and I have not heard a response to that.

Mr Osti: Without getting into further analysis, we cannot see why the 29 per cent provincial package equates to the same municipal package that is received by, let's say, a large municipality. I guess what we are saying is that is perhaps an area that has to be looked at.

The Chairman: Does the ministry have any comments on that?

Mr Puccini: I guess our reaction was, does the existence of our roads subsidy program truly influence whether the municipality gave 54 per cent or how it recompenses its municipal staff? On the surface, we would find great difficulty seeing how our one subsidy program would give the municipality any incentive to negotiate a certain salary-benefit package with its total management group or total bargaining unit group. We saw ourselves almost as nonplayers in this issue, with respect, sir.

The Chairman: Because it would be a very small percentage of the total municipal employee budget, is what you are saying.

Mr Puccini: Using Metro as an example, what it pays the commissioner of roads and what the benefit package is, I am sure is very similar to what it gives the commissioner of planning, the chief administrative officer, the treasurer, the solicitor and on and on. Why would the availability of a small portion of road subsidies influence what they negotiate with their employees?

The Chairman: Are you saying we would have to examine all the transfer payments in order to come to any kind of pattern as to whether or not there is an influence?

Mr Puccini: If there is an issue, it is broader than just our roads program and that is why we made the reference to consulting with Municipal Affairs to see if it wants to approach it on a broader basis.

The Chairman: Any further comment on that, Mr Osti?

Mr Osti: I can accept that.

The Chairman: Any further comments or questions from the committee? Any other matters before the committee? We stand adjourned until 10 o'clock tomorrow.

The committee adjourned at 1559.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

ANNUAL REPORT, PROVINCIAL AUDITOR, 1988:
MINISTRY OF THE ENVIRONMENT

TUESDAY 22 AUGUST 1989



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Philip, Ed (Etobicoke-Rexdale NDP)

VICE-CHAIRMAN: Pouliot, Gilles (Lake Nipigon NDP)

Adams, Peter (Peterborough L)

Ballinger, William G. (Durham-York L)

Charlton, Brian A. (Hamilton Mountain NDP)

Collins, Shirley (Wentworth East L)

Cousens, W. Donald (Markham PC)

Fawcett, Joan M. (Northumberland L)

Nicholas, Cindy (Scarborough Centre L)

Nixon, J. Bradford (York Mills L)

Villeneuve, Noble (Stormont, Dundas and Glengarry PC)

Substitutions:

Dietsch, Michael M. (St. Catharines-Brock L) for Ms Collins

Faubert, Frank (Scarborough-Ellesmere L) for Mr Nixon

Johnson, Jack (Wellington PC) for Mr Cousens

LeBourdais, Linda (Etobicoke West L) for Mr Ballinger

Martel, Shelley (Sudbury East NDP) for Mr Charlton

Morin-Strom, Karl E. (Sault Ste Marie NDP) for Mr Pouliot

Clerk: Manikel, Tannis

Staff:

McLellan, Ray, Research Officer, Legislative Research Service

Witnesses:

From the Ministry of the Environment:

Posen, Gary S., Deputy Minister

McIntyre, C. E., Executive Director, Approvals and Engineering Division

Guscott, David, Director, Kingston Regional Office

Reid, Julian, Assistant Deputy Minister, Operations Division

Bishop, Jim, Director, Water Resources Branch

Castel, Andre, Executive Director, Corporate Resources Division

From the Office of the Provincial Auditor:

Teixeira, Michael, Director, Ministry and Agency Audit Branches

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday 22 August 1989

The committee resumed in camera at 1400 in room 228.

1436

ANNUAL REPORT, PROVINCIAL AUDITOR, 1988
(continued)
MINISTRY OF THE ENVIRONMENT

The Chairman: This is the inquiry by the standing committee on public accounts into item 3.7 of the Provincial Auditor's report, the Ministry of the Environment. We have before us Julian Reid, the assistant deputy minister, operations division; David Balsillie—

Mr Posen: Mr Balsillie is being represented by the director of our water resources branch, Jim Bishop.

Mr Philip: Jim Bishop. Sorry; I now have the later schedule. We have Andre Castel, the executive director, corporate resources division; J. Walter Giles, associate deputy minister, intergovernmental relations and strategic projects division; C. E. McIntyre, executive director, approvals and engineering division; and David Guscott, Kingston regional office. Is there anyone else who is here?

Mr Posen: And you have the deputy minister.

The Chairman: We would like to welcome you to the public accounts committee. We are dealing essentially with four issues. We have inspections by environmental officers as one of the issues. We have sewage discharge into lakes and rivers. We have incomplete information reported. The last topic, which will probably come up from time to time in different ways, is the drinking water surveillance program and what progress is being made on that.

It is the intention of the committee, because of the environment of this room, to sit until four o'clock. We have the problem that when the air conditioner is on, Hansard cannot pick up your pearls of wisdom and insights, nor even record what we are saying. So we try to put on the air conditioner before you arrive and then hope that we will not get too warm for at least a certain period of time. We will be meeting with you again tomorrow.

First, do you have any opening statement?

Mr Posen: A brief one.

The Chairman: Fine. After that I am going to ask you for something, and you may want to prepare for this. It would be useful as background for the committee, I think, if you explained the importance of the Ontario Water Resources Act and the Environmental Protection Act and how that affects the work you are doing under, these four topics in particular, so that we have a general overview. Then we would like to address them in an orderly fashion by

the topics I have just listed rather than ramble in a Gestalt all over the place.

I wonder if we could have the deputy minister's opening statement, followed by an explanation of those two acts as they affect your staff.

Mr Posen: I welcome the opportunity to appear before you and to assist the committee in its review of section 3.7 of the Provincial Auditor's report. As you have noted, the auditor has focused his attention on the ministry's controls over water and sewage plants and has dealt with four general areas: inspections, sewage bypassing, compliance reporting and drinking water.

When the auditor conducted his review, there were 466 water treatment and 407 sewage treatment plants in Ontario, which are designed to protect public health and the environment. The Ministry of the Environment operated 99 water and 238 sewage treatment plants, while the remainder were operated by municipalities.

Expenditures for the ministry-operated plants during 1987-88 totalled \$74.5 million. This cost was recovered from municipalities through the water rates. Generally, the larger municipalities operate their own water and sewage treatment plants, whereas in most smaller municipalities that lack the required engineering expertise, plants are operated by the ministry through agreements.

The ministry is organized into six regions, each with its own utility operations section. The ministry-owned water and sewage treatment plants in a region are run and maintained by utility operators who report through operations officers to regional utility managers. Accountability for plant performance ultimately resides with the regional director.

The ministry considers training and expertise of its operators to be essential. All utility operators receive training on plant operation through the ministry's training centre. Specific courses on health and safety are mandatory. Furthermore, in the near future there will be a requirement for mandatory certification of plant operators.

Management control is maintained through a number of mechanisms. Monthly sampling data are reported to operations officers for review of plant performance. The operations officers also conduct periodic proactive inspections.

Utility managers and senior management keep close watch on the overall performance of the ministry's water and sewage plants through corporate reporting systems. All sampling data are entered into the utility monitoring information system, known as UMIS. Sewage plant performance is published annually in the ministry's discharge report. As well, financial accountability is maintained through monthly Cobis financial reports on plant expenditures.

In my response to the auditor on behalf of the ministry, I indicated that we agreed with many of the concerns his report identified and are actively taking steps to address his recommendations. At this time, I will not go into detail on each and every point, but I can assure you that we have increased our level of proactive inspections, that we are reporting on bypasses and that we are developing more rigorous and comprehensive compliance reports.

I welcome the chance to provide you with additional information on the management and administrative directions of the ministry with regard to addressing the many constructive recommendations offered by the auditor's report.

We have introduced the other ministry officials who are with us today and I will simply note that Mr Guscott was recently the director of our southeastern region and as of the beginning of July is the director of the central region.

The Chairman: Is that a lateral transfer or a promotion?

Mr Posen: I guess it is a lateral transfer from one perspective. He is dealing with bigger problems.

The Chairman: I will not ask whether he requested it or cried all the way to the station.

We appreciate your comments and before we get into the acts, I wonder if any of the members have any questions on the deputy minister's opening statement.

Miss Martel: May we get a copy of the opening statement for committee members? It would be easier reference for all of us.

The Chairman: Do we have extra copies?

Mr Posen: I do not have them with me.

The Chairman: We will have those duplicated.

Mr Faubert: I just have one question. I am not quite sure on the ministry's financial participation in the sewage treatment plants that it administers. It says they are responsible for approximately half the plants in Ontario. Can you tell me what the financial responsibility is in this?

Mr McIntyre: The plants the ministry operates are broken into three categories. Some of the plants are owned by the municipalities and they have asked us to operate them on their behalf, in which case they repay the operating costs but we operate the plants.

The second one will be plants where we have financed the construction of the project some years ago on a 20-year debenture and the debenture has not been taken off, so we still own, if you like, the mortgage on the plant and we operate the facility. In that category are also plants that are still financed that way but operated by the municipality.

The third category is plants that are built, owned and operated by the province. We are the agent of the province in that case.

Mr J. M. Johnson: I have an overall question that I think is the heart of the problem as far as I am concerned. I do not have a great deal of difficulty with the auditor's findings. He makes many suggestions as to how you can find a problem earlier.

I have a problem in trying to understand how you resolve the problem once you have found it. In the riding of Wellington, there are the

municipalities of Fergus, Arthur and Mount Forest that have needed assistance for many years. The ministry is well aware of the problem.

Having identified a problem, then the ministry and the municipality have the desire to take immediate action and do not have the financial resources to do so. I understand you people have the list, and I would submit it is a fairly long list, of municipalities that require assistance. The municipalities do not need the auditor to tell them they have a problem. They know they have a problem. How do we deal with that?

Mr Posen: In terms of the auditor's report, and the auditor has been looking at the operation of water and sewage treatment plants, you have asked us a question where there are water quality problems.

Mr J. M. Johnson: Sewage problems.

Mr Posen: Sewage problems, where we have to improve the level of service. There is a high level of demand in the province and we do attempt to set priorities. Erv, I guess I will ask you to talk briefly about the kinds of criteria we use in determining those priorities.

Mr McIntyre: When a project is a gleam in the eye of a municipality we ask it to come to us, and together with our region we look at the nature of the problem without looking at potential solutions. On the basis of the nature and severity of the problem, a long form with multiple pages is completed by our region and submitted to a committee that is called the project priority evaluation committee. It is the same committee for all projects across Ontario. It is represented from the divisions within the ministry and the Ministry of Municipal Affairs and the Ministry of Northern Development and Mines. An evaluation is struck based on four criteria, the criteria being health, environment, growth and community enhancement, and a number is generated based on those four criteria.

When it comes then to giving out our available funds in any one year, we run down the priority list until we are out of funds, and send rejection letters to the rest of the municipalities and acceptance letters to the ones on the top part of the list. That is it in a very simplified fashion.

Mr J. M. Johnson: How many years away are you on the list?

Mr Adams: On a point of order, Mr Chairman: I think it is a very interesting question and the responses are very interesting, but in reality we could ask any questions based on the deputy's opening remarks. We did have a strategy and I think at least when this is finished, we should perhaps go back to the strategy.

Mr J. M. Johnson: Just one clarification: In recommendation 1—

The Chairman: I think what Mr Johnson is trying to do is to get an overall view.

Mr Adams: I have no objection.

Mr J. M. Johnson: In recommendation 1, the auditor says that there should be yearly inspections. The point I was trying to make is that it is one thing to have an inspection to say there is a problem. Another thing is, what is the point of having yearly inspections when you know that it has to be five years away before you correct it? What I was trying to determine is the length

of time we are away from solving the problems of the existing plants. Is it two, five or 10 years?

Mr Posen: I was just going to note that when the auditor is urging us to be more proactive in terms of inspections in identifying problems, there are a variety of problems that can be identified. The problem can be the nature of the operation of the plant, some aspect of the design of the plant, or as I think you are noting, that the plant either is ageing or growth is beginning to outpace the ability of the plant to deal with the community. There are a whole variety of possibilities of things in terms of inspections that we might find. Some of them are resolvable through additional training or through design changes. Some of them clearly are more profound and require the kind of capital investment we have been talking about.

The Chairman: But Mr Posen, your inspections would change your yearly ranking, would they not? Some inspections would identify that something was posing a serious health problem, and that particular project might jump from a medium priority to a very high priority as a result of your inspection, would it not?

1450

Mr Posen: If we were surprised at an inspection, it might indeed, but I think, as we will discuss, that on the whole we have been very aware of where the problematic situations are and those would then be more regularly inspected.

The Chairman: Are there any further questions on the deputy minister's opening statement?

Miss Martel: I want to go back to the opening statement just to clear up in my own mind what the auditor's staff actually looked at. You say on page 3 that the overall performance of the ministry's water and sewage plants is reviewed through corporate reporting systems and I wonder if that is what the auditor's staff would have been looking at.

Mr Posen: Yes. The critique has been the completeness of some of those systems and the criteria against which some of the reporting has been done. Again, we are prepared to discuss that with you today.

Miss Martel: We are looking at more than one then.

Mr Posen: For example, in terms of water and sewage treatment, we are looking at the annual municipal sewage discharge report, at our unit's report and at the drinking water surveillance program report.

Miss Martel: Okay. The other thing that is in that paragraph is, "Sewage plant performance is published annually in the ministry's discharge report." The question of water is reported through—

Mr Posen: The performance of all municipal sewage treatment plants is annually reported in the municipal discharge report.

Miss Martel: Okay. Is there an annual report concerning water at all?

Mr Posen: No, there is not. That is the comment of the auditor, that there is no rollup on water treatment plants; there is on the sewage treatment.

Miss Martel: All right. Thank you.

The Chairman: I may have misunderstood you, but you said they are regularly inspected. In fact, is it not the case that we have incidents where the auditor has reported that they had not been inspected in two years? Is there not some contradiction in what you have just said and what the auditor said?

Mr Posen: No, I think it is the same thing. We know there are problems. Our staff is in on a much more regular basis. Where we have seen that the performance has generally been good, in terms of deploying staff resources we have not been in there on a regular basis, and I think this is the discussion here today. The auditor discussed, and we are prepared to discuss it, our continuum care for those plants. The auditor suggested that an aspect of that continuum is regular inspection. There are other things we do along that continuum.

The Chairman: Mr Villeneuve, you are next on my list.

Mr Villeneuve: This has to do with a particular situation within my riding in Ingleside, of which I think Erv is aware and certainly the deputy minister is aware. The sewage treatment plant is above and beyond its capacity. In the case such as we have in Ingleside in Osnabrock township, where Kraft is the main employer and it certainly seems to be logical for the town to go in with this large private corporation to possibly treat all of the sewage in one lagoon, do you have to strike a new set of rules here or do you have precedents that are set? Just what happens in a situation like that where we realize the river is being polluted by both the town and Kraft at this stage of the game?

Mr Posen: Erv, do you want to answer or do you want Dave Guscott to answer it as well?

Mr McIntyre: Essentially, the idea is that a municipality should be willing to participate for its commercial and industrial users, provided those users are not predominant within the municipality. That is the normal situation. If you take Metropolitan Toronto, the commercial-industrial users are under 20 per cent of the total flow generated from the rest of the municipality in the sewage treatment plant.

We use a rule of thumb that says, "Our grant should only apply to that portion of the plant that is the responsibility of the municipality." If you are going into a joint scheme, the industry should pay for its share, period. That then depends upon the size of the industry and the size of the municipality and that is why it tends to be a site-specific solution that is developed.

Mr Villeneuve: I guess this would have to be looked at in the context of what contribution the Kraft plant would bring in addition to what the municipality is responsible for at this stage of the game.

Mr McIntyre: That is correct. In theory, a joint works will be cheaper than two separate works and therefore it will be to everybody's advantage to be in a joint works, but then you have to strike the deal with the industry on what its portion of that joint works is and how it will pay it.

Mr Villeneuve: In this instance, as I think you all realize, we have

some people who are very willing to co-operate to make it all happen, but it seems to be taking a long time.

Mr Guscott: If I might add, there are some outstanding issues that have to be worked out, such as who is going to pay for the outfall, which has to go all the way to the St Lawrence, a considerable distance in that particular case; but we have seen agreements such as that worked out even in eastern Ontario in similar communities. Cardinal, for example, has its---

Mr Villeneuve: It has Casco.

Mr Guscott: Treated by Casco, right. So it is possible to work those agreements out. Mr McIntyre has talked about the funding arrangements. There are certain operating liabilities and other concerns which Kraft is examining now too. I think it is a matter of resolving some of the expensive and, to a lesser extent, difficult engineering problems that are holding things up at the present time.

Mr Villeneuve: And the same would apply to the maintenance of this plant once it has been set into place if you have a certain schedule of responsibilities? Likewise, the operation of that plant would reflect that?

Mr Guscott: That is right. Operating agreements would be drafted that would deal with who is going to pay what proportion for what purpose.

Mr McIntyre: And in correcting this problem, you would want to ensure the municipality was getting back from the industry, even though the industry might close, the portion of the operating cost that would relate to an investment the municipality had to make. You have to seek guarantees from the industry for the period of time over the debenture period.

Mr Villeneuve: The Kraft plant in that particular instance is the lifeline of that town, certainly the main industry; very important economically.

Mr McIntyre: You and I both remember, though, when the Kraft plant was not there.

Mr Villeneuve: Yes, we remember when the town was not there. It was moved there by the Seaway.

Mr McIntyre: I remember when it was moved, too.

Mr Posen: I think the general concern, the latter point, simply is that if for some unknown or unpredictable reason the Kraft plant was to disappear and the town was left with the liability for a large sewage treatment plant, much larger than it needed for its own purposes, it would not be able to maintain it and run it.

Mr Villeneuve: Just as a comment, I guess our households are all using more water, and the demands on the treatment facilities sometimes become quite heavy in spite of the fact that maybe the town has not expanded all that much, just because of the way we live. Would you, as a ministry, try to forecast? Maybe we have come to a maximum or an optimal use per individual per household. Would you have some figures that say that from 1980 to 1990 we have used 10 or 20 per cent more water per individual? When do we reach the saturation point, if you will?

Mr McIntyre: I do not think you are ever going to. The difficulty with that is that you and I may use water differently. I may have growing children, you may not have growing children; I may have a washing machine and a dishwasher and five or six other water-using devices. The only trend patterns that exist are things that say to you that, on an average basis—largely this is because of the type of industry and the amount of industry—in small municipalities the average per capita usage will be smaller than in the large municipalities. That holds true, largely. You can do things to reduce water usage. Metering, lawn watering restrictions and all these kinds of things are useful things to reduce water usage.

Mr Villeneuve: What with state-of-the-art treatment plants in 10 years ago, and without great expansion within some of the smaller towns—I use Kemptville as an example—we all of a sudden reached the saturation point. Their capacity is beyond what is being put in and yet we have not seen great bonanzas of house building and what have you.

Mr McIntyre: But in the same vein, many of those plants are 20 years old. You say, "Well, not much each year," but you multiply it by 20 and it is a fair bit of increase in the size of the town.

1500

The Chairman: I think the deputy minister's statement was very broad. If we are not careful we can spend the next three days exploring all kinds of interesting topics, but we do have some fairly specific matters that the auditor has raised. I have only two people on my list on the deputy minister's opening statement, Mrs Fawcett and Mr Adams.

Mr Adams: Mine in fact is not on this topic.

Mrs Fawcett: Mine really deals with the inspection too.

The Chairman: Mr Posen, you may want to have one of the other members of your staff from your ministry handle this. Can we basically have an outline of how you see the two acts, and any other legislation which may impact on the job you are doing, affecting you, so that we can understand where your authority is and how you operate under that authority?

Mr Posen: I am going to ask Messrs McIntyre and Giles to respond to your question.

Mr McIntyre: If I can eliminate those portions of our act that relate to the financing, because I think that is not what you are interested in, there are two sections in our act that require the approval of works and the operation of works to make sure they produce a satisfactory product. There is a section of our act that says, in general, "Thou shalt not pollute." It is basically those sections of the act that we live with.

If a municipality wishes to install anything related to a watermain or water system, it must have approval for it: the intake, the water treatment works, the water distribution system, the storage system, the pumping system; I guess I have got all of them. For a water system and a sewage system, it is the outfall and the treatment works, the sewage collection works, all of those things, that require approval. It is through the approvals process that you ensure that the physical works that are built are capable of handling what you project as being the demand for the community, and within the performance you want. You are looking at the source of water and saying: "I've got this

source, I need this quality when I deliver it, so I must have this kind of treatment in the middle." The same thing operates in sewage works, where you say: "I have a receiving stream that must have this quality in it. I have this quality, therefore, I must have in my discharge, so that's the kind of treatment I must have."

As systems age, joints in sewer pipes pull apart, manholes become leaky, systems have more flow than you anticipated, so you try to get back into them and try to fix them up and reduce the flows so your plant stays in good operating condition. That is it very generally, very quickly.

The Chairman: Any questions on that from members?

I wonder if we can move into the auditor's first series of comments, which deal with the inspections by environmental officers. I am sure you are aware of the auditor's findings. We also have copies of your response. Before we start asking questions on that, do you have any comments in addition to the written response which has been provided to us from your ministry?

Mr Posen: It provides me with an opportunity to note that in dealing with sewage treatment plants and our management and administration of them, I would suggest there is a continuum. One is the training of staff, the management of the plants, the design, the attempt to ensure that the plants are being operated optimally. Second along the continuum are inspections to ensure that the training, the design, all the things we have done up front are being carried out satisfactorily. Third along the continuum would be a reactive situation to problems.

As we reviewed our administration in light of the auditor's comments, I think our conclusion in our own minds was that we had a very good record up front and a very good record at the other end of that continuum, and decided that is where it was most effective to put our resources.

In my response to you, I noted that I could not disagree with the auditor's comment. It is a logical part of that continuum of management and administration of the plants; we think it is important to our credibility and to our ability to maintain what we think is effective management. We have therefore, as I noted to you, developed within the ministry a plan for a regular inspection system of the water and sewage treatment plants, and we can discuss that with you.

The Chairman: That stimulated some questions, and the auditor indicates that he does not wish to respond at this point.

Miss Martel: If I can kick off, we might as well ask what your plan entails, what you are looking at to ensure there be increased inspection and enforcement if problems are found, as was noted by the auditor.

Mr Posen: I will ask Ms Reid to respond.

Mrs Reid: I would like to underline that we were inspecting plants but, as the deputy said, mainly on a problem basis. Certainly we are spending a lot more time at the plants where we thought time was needed, as opposed to having a regular plan of proactive inspection. I think what the Provincial Auditor was asking us for was a plan of proactive inspection that would ensure that every single plant got inspected on a routine basis. We agree with that;

that is an ideal situation. We decided we would just sit down and work out an action plan and protocol.

I think it is important to realize that these two go together. Every plant should be inspected based on the same set of criteria all across the province, so that we can be sure that no matter what region you are in the plant has been thoroughly inspected and is comparable to another one.

We have our action plan worked out. Although it has started unofficially, it is going to start officially on 2 October. Within the first 18 months, with our new protocol we will have inspected every single water and sewage treatment plant in the province. After that, we expect it to happen on an annual basis. We are saying 18 months for the first run, because with any new protocol, new system and new people, sometimes it takes a little longer.

We have allocated six new staff to this program and we are adding staff from our regular abatement group. We are having what we call dedicated inspection teams in each region. The reason for that is that if somebody has in their job description that they have to answer complaints as well as go out and do proactive inspections, generally the complaints take priority and the regular program slips. That is why we developed this idea of the dedicated inspection team. They do not do other things; they are strictly doing this proactive inspection. If any problems are found, the follow-up would be from the regular abatement staff with whom they would work closely.

We have a fairly detailed protocol we have worked out. It is pages and pages, if anyone would like to look at it, detailing each aspect of the inspection; everything from the paper review to the actual review of the plant, the process, the effluent, everything. I can expand on that if you would like. I think Dave Guscott, who has been involved with developing this plan, would also like to speak to it.

Miss Martel: Can I ask if the plan is the same for all of the plants you would look at? When you talk about a protocol, is it a list of criteria that each will be judged by so that you have some measure of similarity?

Mrs Reid: It is the same. In other words, the inspector has to check off all of these different aspects. I could read it to you or provide you with a copy.

Miss Martel: Probably the copies, if it is long. I do not want to put you through that.

The Chairman: I wonder if I could just summarize your answer in two sentences. If I am incorrect, please correct me. One, you agree with the auditor's concern about a need for a proactive plan and in order to meet that, you have added some additional inspectors, but you have also developed a set of criteria so that inspections will have some uniformity and consistency.

Mrs Reid: That is correct.

The Chairman: That plan has not yet been seen by the auditor, but it is available in fairly detailed form, and you have just offered to provide a copy to the committee. Is that correct? I think it would be appreciated if you could provide that; and, as Mr Berman and Mr Teixeira have not had an opportunity to examine that, if you could provide it to us on the understanding that we would probably ask them to also review it so we could then look at it together with the Provincial Auditor. We recognize that you

said it is not going to be implemented until later, in another couple of months or so, but would that meet with your approval? Could you do that for us?

1510

Mr Posen: Yes, we certainly can. The staff are being trained on the basis of this protocol now, and that is why we say we are operating on it informally, but we feel that that training process should be completed in September. That is why the 2 October starting date was—

The Chairman: I think our questions to you might be more focused if we were to have that. Can we get a copy of that in the next little while—I do not know whether you have it with you—so that we can distribute it to the members?

Mr Adams: Could I ask another question which I think follows directly on? Without reading out the protocol, I was interested in the auditor's emphasis on annual inspection. Now we have heard your response, and it sounds like a very interesting response. But I wondered if, rather than going through the protocol, you could in lay terms give us some idea of what this inspection involves and the sorts of things you take into account.

For example, the deputy mentioned that for each of these plants each year there is a report submitted. I guess that report contains the sort of imports and exports, or whatever they are called, of these plants and it must list the sorts of things that were found in those imports and exports. Someone must look at that report and say, "Yes, the proportions of these various things are the same this year as they were last year, so it looks as though this plant is okay." That is one way in which it seems to me you are monitoring the plants.

In addition to that, inspectors go out and they must sample certain things. The auditor suggests that that should be every year. There seems to be some emphasis here on it being very regular, but let's say the inspector went out in January of every year and did a series of inspections; that is a time when water use is at certain levels, sewage use is at a certain level, and you get one picture for that moment, one annual snapshot of that plant. Let's say you did it in January every year. You would have that view of it, but you would never actually know, except from your reports, what would happen if the inspector went there in July. I wonder if in lay terms you could describe how such plants have to be inspected and how best they can be monitored over time.

The Chairman: Can you explain the basis for the timing of your inspections?

Mr Guscott: Certainly. You are quite right. There are some communities in the province where the sewage flows vary considerably in volume, in strength and in content. The sewage of any industry or town, for example, which has a food processing industry is going to change dramatically between the time when it is preparing and serving the food as opposed to the rest of the year. We will certainly take that into account. You would not bother to check Leamington's sewage treatment plant in January when obviously September or August might be a better time of doing it. We will take that into account.

In addition, these will not be done on a clockwork basis. We are planning to use a random approach to them over and above the plants where it does not make any sense to do them at certain times of the year. For those

plants that have a largely urban setting, with no single industry which might vary seasonally, we will be using a random approach. The inspections themselves will be unannounced, so these will be true audit inspections where nobody is going to be able to dress up a plant in time for the audit. That is the way we hope to take those kinds of things into account.

Mr Adams: Even today—

The Chairman: Is that a supplementary?

Mr Adams: Mr Chairman, if I might, because we have not really been keeping to a very particular order here, the deputy mentioned these reports. It seems to me that these plants must be monitoring activity throughout the year. They must give you a very good handle already on what is going on within those plants at a particular time.

Mr Guscott: That is quite correct. We get data from the municipalities, we compile the data and we use them now for inspection purposes. I believe the intent of the auditor's comments was to ensure that an outsider was taking a look at the plant. I think that is the key to what we are talking about here. It is one thing to have the operator of the plant carry out an inspection. It is perhaps a different approach to have someone with a fresh perspective or a different perspective or someone, for example, who may not be aware of some of the financial or other difficulties of the plant take an objective look at it. That is really what we are proposing here.

Mr Adams: You are comfortable with that?

Mr Guscott: Yes.

Miss Martel: I would like to go back. You have been looking at both water and sewage plants?

Mr Posen: Yes.

Miss Martel: The six people you talked about were the dedicated staff that you have discussed?

Mrs Reid: They are new staff.

Mr Posen: These are six additional people.

Mrs Reid: We are also using existing abatement staff and we will have them dedicated to the team. The minimum team is two persons in each of the six regions in order to cover it off. I should tell you that a lot of inspections are carried out by other people on a problem-by-problem basis. So that is not the only inspection that would ever take place. This is the dedicated team for the proactive, objective inspection which we felt was the intent of the Provincial Auditor's recommendation and which we agree is a very good thing to do.

Miss Martel: Those people will maintain that position not only during the next 18 months, when you try to go back to each plant, but they will be retained on an ongoing basis?

Mrs Reid: That is correct.

Mrs Fawcett: Mr Adams alluded to a couple of things. I was wondering

how comprehensive are the monthly data that are sent in. I believe you stated that monthly data were sent in by the municipalities. Does that give you a pretty fair idea as to what is going on there?

Mr Posen: We will talk about sewage treatment plants first.

Mr Guscott: In the case of sewage treatment plants, the monthly data that go into some of the corporate reports that have been talked about here today are limited to three or four parameters, largely, and deal with all the plants on the same basis. This is derived from the fact that these reports originally came as part of a joint Canada-US agreement to report regularly on discharges to the Great Lakes. Canada and the United States jointly decided on what parameters would be reported. So the reports have continued in that vein.

The inspection reports will be more comprehensive than that and they will become much more comprehensive as the municipal-industrial strategy for abatement, the MISA program, applies to sewage treatment plants. By that time, there will probably be more than 100 parameters that are tested. So it will be much more comprehensive than what we now receive.

Mrs Fawcett: Would that give you a faster idea if there is a problem coming up or if there is something that is not quite right?

Mr Guscott: That is correct. It will certainly give us a lot more detailed information. We can then aim our abatement programs. Of course, the only reason we are doing these inspections is to spot problems before they become serious problems. This will give us more early warning about a wider variety of problems.

Mrs Fawcett: In the actual onsite inspections, you would not have done every plant every year?

Mr Posen: No.

Mrs Fawcett: But you will now?

Mr Posen: If we are receiving the information from a plant operator and it indicates that he is having problems, the abatement staff will be in there. If his reports have indicated that he has been having no problems, in terms of our priority and where we spend our time, we have not not bothered with that up to now.

What we accept is that there are improvements we can make, even to the plants that have not been showing serious problems, by being in there on a regular basis. I think it is helpful in terms of equipment maintenance. The auditor noted there will be bits and pieces of things you will see in there. I think it is just becoming more important to us to see that on a regular basis. But we are receiving data from the plants on a self-inspection. They are taking the samples and sending them into the lab, where the problems are uncovered. That is what the auditor referred to as a reactive approach. Certainly, we have been inspecting and improving. As I say, we would like to now add to our arsenal, or the continuum, the proactive inspection.

1520

Mrs Fawcett: You had 163 inspection officers or thereabouts for your onsite inspection, somewhere in that area?

Mrs Reid: I am not sure if you are not mixing up investigation and enforcement along with the vacant office and dedicated inspection team. We have all those aspects.

Mrs Fawcett: All right.

Mrs Reid: But what we have added, in that it is new, is the dedicated inspection team which is two people per region who do nothing else but inspections. Probably by the next cycle they will be able to ensure that every water and sewage treatment plant will be inspected every year.

Mrs Fawcett: How long does it take to do an inspection? I have no idea about any of this.

Mrs Reid: It can vary tremendously, depending on how far—

Mrs Fawcett: I see, so you cannot just say that the team will be in for a day or two days or a week.

Mrs Reid: It can be two days or it can be six days and in some cases longer. It depends on how far they have to travel and on the complexity of the plant. We have everything from primary to tertiary treatment so it really depends on many factors. Dave, do you want to add anything?

Mr Guscott: The rough figures we are using are three days to six days per plant. We feel there may be some improvement in that time as we go through the cycle. Obviously, there will not be so much paperwork to be done ahead of each inspection. When we have gone through it once and we have the approval and certain other information, it should become faster.

Mr Adams: Joan Fawcett just made some remarks about the number of your staff. I would have to say, and this is with all due respect here, that the Ministry of the Environment is a small ministry—very, very important, but small—yet it is one which in recent years has achieved extraordinary prominence not only in the media but also in people's minds. In various areas of your activity, it does seem to me that you are fairly thin on the ground, that you have staff problems. Could you address once again the general sense of Joan's remarks? You are responding very positively to the Provincial Auditor's criticisms here. Do you feel that you have the resources to be able to do that, particularly in terms of additional personnel?

Mr Posen: Obviously, as you have noted, environment and environmental issues have become of great concern to the public and the range of those issues and concerns is very broad indeed. The Legislature has been helpful to us in terms of increasing budgets and increasing resources, but that has been in response to the kind of pressures we have been feeling.

I do not know that there is any deputy minister who would be in front of this committee who would say that he or she has enough dollars and enough personnel. If I said that to you I might be drummed out of the club by my colleagues. But it clearly is a problem because of the range of demands on us. We have had to think long and with some great difficulty about how we will deploy our resources.

The committee last year discussed with us our response to complaints or our ability to inspect generally and I think we have been trying to make improvements in those areas. They have not been dramatic, although I think they have been quite real. Again, we are talking about adding a dedicated

staff of 12 people to do these inspections around the province. That is not a dramatic number, but we have had to chip away to identify those people. Clearly, if they are doing this they are not available to do other things. That is the balancing act that we as managers have to do each year. I would not describe this as a dramatic inspection staff, but I think it will be an effective one.

While the auditor had suggested to us that these inspections be done annually, and we agree and think we can achieve that objective, we do not think we can do it in the first year or two of this program. But we think that number of people will allow us to do that and, as I say, fill in the space on the continuum of management controls over the water and sewage treatment plants.

The Chairman: Before you carry on, just so that there is no confusion—at least there is confusion in my mind, so it may be in some other people's minds—the auditor's report talks about 163 environmental officers and you have just talked about 12 inspectors. Since we have two different figures, who are the players?

Mr Guscott: The staff you have just mentioned are essentially the foot soldiers of the Ministry of the Environment. They are the staff, that 163, who do our field work in terms of tracking down problems. They attend to spills, they develop the abatement program in consultation with industry and the municipality that we are regulating. They are pulled in several directions at any given time.

Complaints are one big part of that. The deputy mentioned that was featured last year. This year, dealing with inspections, we found that the demands on the staff to respond to a spill, to respond to a complaint—work that is essentially unplanned—made it very difficult for us to attend to what needed to be regularly planned, which was the inspection program.

That is why we have carved away from those 163 staff a few and added six more who will be dedicated to inspections only, the reason being that inspections are scheduled, regular work. Everything else that the environmental officer does is essentially response work. He is trying to respond to the telephone, to an emergency, to a problem here and there.

Mr Posen: I think the important contextual point simply is that those officers had among their responsibilities the inspection of the water and sewage treatment plants. I think David's point simply is the other demands on them meant that those inspections were becoming fitful.

The Chairman: Do these 12 inspectors do only water and sewage inspection or do they do all other types of inspection?

Mr Guscott: They will be concentrating on water and sewage for the time being. We hope to be able to expand that in coming years so that we will be able to do regular planned inspections on industry as well, but for the time being it is water and sewage.

The Chairman: I am sorry for the interruption, but I just thought it would be confusing if we did not identify what is going on with the different figures.

Mrs Fawcett: Just very quickly, can any of the 163 do any of the jobs of the 12? Are they interchangeable or not?

Mr Guscott: They are not interchangeable without training. Some of them have been doing that work.

Mrs Fawcett: If some of these 12 get into a real problem, then could one of the others go in?

Mr Guscott: Yes.

Mr Posen: Again, as the inspectors identify problems and abatement staff have to follow up, it will be officers from among those 163 who will be doing the follow-up, as they would for any other identified problem in their geographic area, to ensure that necessary improvements take place.

The Chairman: A supplementary, Mr Dietsch, and Mr Johnson has been waiting very attentively.

Mr Adams: I had not finished when I was interrupted.

Mr Dietsch: I just want to go further on with this particular point. I now have become confused over the numbers and I would like to ask some specific questions. Are there 163 still and will there be 12 allocated out of that 163 who will deal specifically with inspections or are there additions to the 163?

Mr Posen: I guess the answer is we have added six.

Mr Dietsch: So you now have 169.

Mr Posen: So it is 169. Pull 12 out.

Mr Dietsch: So there would be six new ones and then six from the 163?

Mr Posen: Yes.

Mr Adams: Can I just finish, Mr Chairman?

The Chairman: And then Mr Johnson.

1530

Mr Adams: I think that was pretty interesting, all that you just said about this question of whether you do in fact have the resources to do it. I think you have explained it very well. What I now would be interested in is something else, deputy. You mentioned the club and your colleagues. It does seem to me that in a variety of situations, and this may not be one of them, the Ministry of the Environment is left with problems which actually involve many other ministries. In this case, for example, the Ministry of Municipal Affairs is an obvious one that springs to mind. I wonder, given your own limited resources, the extent to which you can get or you might get co-operation from other ministries to help you in work such as this.

Mr Posen: Certainly, in a number of areas, we work closely with other ministries. Using your example of the Ministry of Municipal Affairs, I would doubt it would have the technical expertise to provide the support. Going back to Mr Johnson's question, I am sure that if it had any extra dollars that would help our grant program, they would be very welcome.

But I expect, if you were asking my colleague from the Ministry of

Municipal Affairs, he would be saying to you if the Ministry of the Environment had any extra money to help its grant program, that would be very useful to them, as well.

When one can look at co-operation with the Ministry of Northern Development in terms of projects in the north and close co-operation with the ministries of Transportation, Natural Resources, Agriculture and Food, there is a whole series of issues we deal with that require that kind of co-operation with other ministries. But it is not apparent to me, in terms of the issue we are talking about here, inspection of water and sewage treatment plants, that the others can be helpful.

I am reminded that one ministry with which we do have a close and important relationship in terms of this particular area is the Ministry of Health, in terms of the role of local medical officers of health in communities and relying on them to assess the health aspects of any problems which arise with water and sewage quality.

Mr J. M. Johnson: Just to make sure that you did not misunderstand me in the first part, I am very supportive of the ministry. I have worked at the municipal and provincial level for many years, and the Ministry of the Environment has really been tremendous in trying to solve the problem. It has never had the money it needs to do the job and that goes back many years, not just the past while. It is always a conflict between ministries.

One problem that I have is that the Ministry of Housing requires municipalities to provide 25 per cent affordable housing. It wants them to set up plans to put in place land holdings to build these houses. Many of the municipalities that I have in my riding would really love to do this, but they cannot get the extension to their sewage plant to allow this to happen.

It is a conflict between ministries and I say in all sincerity that if the Ministry of Housing would funnel off a little money to the Ministry of the Environment, it might be able to solve two problems. So it is a conflict for the need for money and it always will be.

But the problem they have is that the auditor gets hung up on the fact that we need more studies. I think the ministry has always had a fair number of studies. There is constant monitoring of sewage plant operations, is there not? You have daily reports from every operator, or at least weekly. But I know that it is a constant report process, so that while you may have some benefit from a yearly visit, you certainly are quite knowledgeable about all the existing plants in the province.

It is my understanding that Ontario is well ahead of most jurisdictions in the control of the environmental problems relating to sewage and water. Reacting to plant problems is not the preferred approach, given the delay in rectifying the problems following the testing. That is one of the auditor's comments. I accept that and you do find there is an early problem and you can eliminate it maybe by some recourse other than rebuilding, but when you get to the point where the plant has to be rebuilt, is there any method that allows the process to be speeded up? You have to set up your priority rating and pick health as the first concern, but what can a municipality do when it knows that five years down the road it needs a plant or is doubling in size?

Mr Posen: I will ask Mr McIntyre to respond.

Mr McIntyre: If you do not mind my waxing philosophical just a

little bit, there are really a couple of things a municipality should be doing. A municipality should be treating its water and sewage works the way we do a car. It should be saying: "This is going to wear out. I had better start saving money to replace it," putting aside a reserve account, keeping it there and using it for that purpose.

Secondly, it should be making sure that the development pays its way for the new services so that existing people do not get double pay. They paid for it when they came and now they have to pay when somebody else comes.

A municipality that plans well in that sense does not find itself in much financial difficulty. Looking around the province of Ontario, at Peel region, for instance, which has done that to a large extent, there are not great financial problems. They do not have a large debt. I am paying taxes out there, so I think taxes are pretty high, but that is merely my opinion. They are able to go ahead and do all those things. They are expanding their sewage and water works and paying for it all themselves. If you do these kinds of things, then you can do those kinds of things.

We are getting into an aged system in this province and we are going to have to fix it up, not necessarily replace it; enlarge it for sure, but get it ready for the next generation.

Mr J. M. Johnson: That is another problem we are going to have, that there is such a demand on the lot levies. At one point in time, municipalities could say their lot levies were for the sewage, but now some ministers seem to feel that education and hospitals have a need for them as well.

The Chairman: I wonder if the chair may have a supplementary on that. We do have legislation that requires certain bodies such as condominiums to have reserve funds. I would not suggest that in your position you suggest policy, but are you suggesting that there may be a need at some point for legislation or regulation that would require a reserve fund by municipalities for continuing maintenance?

Mr McIntyre: I am not an accountant, but to me that is just prudent business planning. When you are dealing with something you know darn well is going to wear out, why do you not plan for it?

Mr J. M. Johnson: So it should be in a 20-year debenture plan?

Mr McIntyre: They just collect a little more from everybody every month and put it aside.

The Chairman: Otherwise it is a kind of Russian roulette. Whoever happens to be there at that particular time gets stuck with paying for it when it blows.

Mr J. M. Johnson: Are many of the plants not debentured over 10, 15 or 20 years?

Mr McIntyre: Yes.

Mr J. M. Johnson: So they are in essence paying for it then?

Mr McIntyre: Yes, they are paying for the plant but they are not paying for the replacement of the plant.

Mr Villeneuve: Moving back, not ahead.

Mr J. M. Johnson: Then the next group will pay the next 20 years.

Mr McIntyre: But if you put a little bit every year into a reserve account that is accumulating funds and do not use it except for that purpose, you stay in really good shape.

Mr J. M. Johnson: Even with that philosophy the municipalities still depend on the ministry to provide its share of the capital, and that still creates a problem for your ministry. That is why you have to have the banking order.

Mr McIntyre: Yes.

Mr J. M. Johnson: So regardless of what the municipality does, there are occasions when you cannot do very much to speed up the process.

Mr Posen: Certainly there are more demands on us than there are funds and I would suggest there are two reasons for that now. One is the reason Mr McIntyre has noted, that some of the infrastructure in the province is reaching the end of its life. Secondly, the pace of growth in the province has been excellent over the past period of time and that too has put pressure on capital spending.

The Chairman: I was noticing eye contact among members of the committee so there is some interest; it might be useful for us if you could give us some idea—and I know you will not have it now, but maybe you could get it by tomorrow or in the next few days—or some information as to what percentage of municipalities do in fact have a replacement plan amortizing their replacement costs, or reserve funds.

1540

Mr McIntyre: I do not think we could give you that.

The Chairman: You could not?

Mr McIntyre: No. We encourage it, but the bookkeeping for a municipality belongs to another ministry.

The Chairman: You would have no idea. Okay.

Mr Faubert: I just have a couple of quick questions. The inspection program that you outlined applies to all plants, I take it, even those that are operated by your ministry?

Mr Posen: Our intention would be to inspect municipally operated plants and plants operated by the Ministry of the Environment.

Mr Faubert: I am just asking that on a workload anticipation basis.

You are talking about—and this flows also from some of the earlier questions when you talk about the resources—your plan goes into the future, all expansion. You are aware of expansion plans across the province for any new plants that will be coming on stream, and you will do this with the existing staff?

Mr Posen: Yes. Over time we may have to be adding to that to take account of growth, but I would think in any given year there is not a dramatic increase in the number of sewage and water treatment plants. We may be adding on units to an existing plant, but we will not see dramatic change. But over time there will be increases and the 12 will have go to 15 or 24 or whatever.

Mr Faubert: I understand also that there are a number of municipalities that have plans for expansion, especially in eastern Ontario and along the lake. This is going to impact on your needs in the very near future, is it not?

Mr Posen: Yes. Although, again, we are looking at three or six days to look at a plant and if we are looking at an expanded plant on the same site it is going to add a bit of time to it. If it is a new plant in a different location requiring a new visit, yes, it will add to the pressure on us.

Mr Faubert: Just one last question: Are there private water and/or sewage plants in Ontario? I am sure there must be in areas, but I just wondered how many there would be.

Mr Posen: The answer to the question is yes, but we are not sure how many. Certainly there are sewage treatment operations by individual industries treating their own effluent rather than putting into the municipal systems.

Mr Faubert: Is that not subject to inspection also?

Mr Posen: Yes, it is.

Mr Faubert: So you have those numbers somewhere? That is added to the overall numbers here.

Mr Posen: Yes. They need approvals for their sewage treatment works and have limits on their certificates and those will be checked by the environmental officers.

Mr Faubert: So that is something we do not have statistically in front of us.

Interjections.

Mr Bishop: Are you asking whether we have information on the discharge from privately operated sewage treatment plants into the sewage treatment system?

Mr Faubert: Yes. There must be regulations as to the effluent, when they treat it; what they are discharging.

Mr Bishop: Certainly.

Mr Faubert: That means it is subject also to inspection, so that is an additional workload to your ministry.

Mr Bishop: That is correct. That would be part of the work undertaken by the inspectors that were talked about earlier. They would be involved in the inspection of not just municipal sewage treatment works but also directly discharging industrial operations. There are in the order of 360 to 400 of those across the province.

By the way, they are also reported on an annual basis in an inventory very similar to the one we are talking about for the municipal dischargers in an annual report that is entitled Report on Discharges from Industrial Operations in Ontario.

Mr Faubert: Is that the one that reports allowable discharge? I am trying to think of the actual term for it, when they are allowed sometimes to exceed limits.

Mr Bishop: They may exceed the limits and we report. They are not allowed to.

Mr Posen: We report on their exceedances, but they are not allowed.

Mr Faubert: Okay, they are not allowed to but they do from time to time exceed the limits.

Mr Bishop: I have copies of both the industrial report and the municipal report, if anyone would like to take a look at it. It is light reading.

Mr Faubert: It is something I could just read—

Interjections.

Mr Faubert: Is there some way we could sort of have some kind of a short analysis of that? I think, statistically, it should be part of what we are looking at.

The Chairman: Whom would you like to do the analysis, Mr Faubert?

Mr Faubert: I think Ray might do it.

Mr Posen: Certainly, I think that we can provide copies of the ministry release at the time that those were made public. It does attempt to roll them up a little bit.

Mr Faubert: Okay.

The Chairman: Mr Faubert, the package that you have received from Ray does have a summary, at the back of it, of the discharges.

Mr Faubert: Okay, that backhands the whole thing.

The Chairman: If you have the whole package, I think you have some of the key elements there. I do not think that we should photocopy the whole report.

Mr Faubert: No, no. I think that will be just a bit excessive.

The Chairman: That is out of due economy for the taxpayer. Are there any further comments, Mr Faubert?

Mr Faubert: No. That is fine.

The Chairman: Okay; Miss Martel.

Miss Martel: There was a question raised earlier about data which

was collected from sewage plants, I take it, on a monthly basis and which parameters they were limited to, and you went through an explanation of what is involved with sewage plants. Can I ask what information is collected from water treatment plants?

Mr Bishop: There are basically two databases for water treatment plants. One of them is the large and relatively unorganized database that is collected by all 500 plants on a regular, usually a daily, basis. It would cover items such as bacterial contamination, total coliform and faecal coliform. It would also cover off a few physical parameters like temperature, pH and turbidity, which is a measure of how clear the water is.

There is a second, more sophisticated, database that we call the drinking water surveillance program. This program is reported on an annual basis for the drinking water of about 78 per cent of the population of Ontario. It now covers 54 different municipal water treatment plants and that database encompasses everything from aluminum to zirconium. It covers about 164 different organic, inorganic, physical, bacteriological and other items. The "other" would encompass things like pesticides. It is the most complete database on drinking water that we have found so far in North America.

Miss Martel: And that information comes to you from plants on a monthly basis? I am talking about the second one, not the first, because you said it was a daily—

Mr Bishop: Yes. Typically, there would be samples once a month. That sampling includes the raw water, so there is source water, as well as the water after treatment; so it gives you an indication of how effective the water treatment process itself was. It also has a third part and that is an analysis of the quality of the drinking water at the consumer's tap.

I have copies of some of those reports from last year, if you are interested in seeing those.

Miss Martel: Are they like this too?

Mr Bishop: No. It depends on the municipality.

The Chairman: I guess that I find that confusing because the report—Am I wrong or is the—

The C-9 in the auditor's findings was that the reports were not available to management and the public. Now you are saying that you will make some of those available to us?

Mr Bishop: I do not recall the exact wording of the auditor's report, but I think it did refer to the drinking water surveillance program data as being available. The part that is not rolled up is all the data that is gathered on a daily operating basis at each of the 500 water treatment plants.

The Chairman: I wonder if Mr Berman wants to comment on that. There may be some misunderstanding on my part.

Mr Teixeira: The drinking water surveillance program is a corporate program. Indeed, we did comment on that in terms of the progress of that system and yes, the report was available at the time of the audit. The comments specifically made in the report dealt with the water treatment plants

in terms of reports not being available as opposed to the drinking water surveillance program report. I believe we did discuss that with the ministry at the time, the absence of any reports on the water treatment plants versus the drinking water surveillance program.

1550

Mr Bishop: The drinking water surveillance program reports do cover a discussion on the type of water treatment and the size of the operation. It has a discussion of some of the kind of physical and operating characteristics of the plant, as well as the chemical characteristics.

Mr Posen: I think the point the auditor was making is that with the sewage treatment plants we publish the annual report on the operation of each of the plants across the province. For water we do not have a similar roll-up. I think the drinking water surveillance program report is evolving into that kind of overall report for the province, but we have additional information on the bacteriological side in a different database. Over the next few years those will be coming together.

It seems to me, if I remember the public looking at the issue of drinking water, given the environmental concerns these days, that would be an area about which I would be particularly concerned. I want that kind of assurance and information from the government through the ministry and I think we are moving to realize that objective and meet that concern.

The Chairman: Does Mr Teixeira or Mr Berman wish to respond to that?

Mr Teixeira: Yes, indeed. What the deputy has said is correct. I would just like to clarify a point dealing with the DWSP report. It is my understanding that not all plants are included in the DWSP report at the time, and indeed not all of the parameters are included in the DWSP report. I think that was essentially dealing with—

Mr Posen: The reports are by municipality, plant by plant as opposed to—

Mr Bishop: As the deputy is indicating, the reports are done on a plant-by-plant basis. I think when we were reviewed by the auditor we were doing 44 or 46 plants; we are now doing 54 plants. In order to accomplish the maximum coverage for the population of Ontario, we have to stage it on a municipality-by-municipality basis. As we move along, we continue to sample, although maybe at a reduced rate or at least a reduced frequency, those municipalities where we did not find any indication of a problem. So some of them have slipped back to once every six weeks.

As for the number of parameters, the only parameters that are dropped are the pesticide scans, which are not done at the time of year when pesticides are not being applied, and that is simply to save taxpayers' dollars as far as the analytical part of that program goes. That is by far the biggest part of the program.

Miss Martel: Could I pick it up from there? You mentioned you were looking at 54 municipal plants now under that. How many are out there, though?

Mr Bishop: There are about 500 different plants. You start to get into a kind of law of diminishing returns. Some of the plants serve a very small population, they are not close to any industrial or municipal discharge

and they are located on a body of water that has been analysed already by part of this program to the extent that we are satisfied that the source water is relatively pure. A municipality in that category would fall towards the bottom of the list. As I say, we have tried to stage it so that with 54 municipalities we are covering close to 80 per cent of the population of the province's drinking water.

Mr J. M. Johnson: It was my understanding that the water from the taps in a nursing home or residence, a place of this nature—is it not checked by the medical officer of health?

Mr Bishop: I am sorry, in a nursing residence?

Mr J. M. Johnson: Nursing homes, residences, things of this nature. The water towers and that, I assume, are yours, but once it hits the taps does it not come under the medical officer of health?

Mr Bishop: It depends. We do maintain as part of the program—

Mr J. M. Johnson: Do you test them as well?

Mr Bishop: Yes, at the tap. However, as far as nursing homes, hospitals, things of that nature are concerned, the medical officer of health through the Ministry of Health arranges for testing, very much in the same way a cottager can arrange for testing, for basic bacteriological parameters. Through the Ministry of Health is another case where we have a co-operative effort with another ministry.

Mr Posen: But our interest in testing the water before it is through the treatment plant, testing it as it is coming out of the treatment plant, and then testing it in a home is to see if there is any part of the distribution system which might be adding any kind of problem into the water. We just want to make sure what is coming out of the tap at home is similar to what left the plant.

Mr J. M. Johnson: Just while we are on this, the water we are drinking is rather murky. Do you think you should test it for us?

The Chairman: I have two people left on my list for this item: Mr Dietsch and Mr Villeneuve.

Mr Dietsch: I wanted to tie in some of the financial considerations with the ministry in terms of the inspection aspect. By that, I mean that when inspections are done, obviously it is hoped they will not uncover anything that is detrimental to the system, but at the same time, knowing the way systems work, there are bound to be some problems out there that are found.

My concern, first, is that these problems are found and, second, the financial cost of correcting the problems. Mr Johnson made a comment in reference to Ontario being the leader among a number of jurisdictions in quality of sewage, quality of drinking water, etc. My interest is certainly in keeping that standard at the top of that list. What is the ministry doing in providing dollars for the correction of some of those challenges it uncovers through the inspection?

Mr Posen: The kinds of problems will be at a series of levels. In some cases we will discover we have operating problems. That is a matter of dealing with the personnel in the plant and improving their training. We will

discover equipment problems, equipment failures under certain circumstances, and that may require equipment replacement. Generally, that can be handled as part of the annual operating budget of most plants. In terms of these reserve accounts, some municipalities, and certainly for the plants we operate we maintain a reserve account for that kind of equipment replacement.

In some cases we will uncover a situation where the plant is ageing or growth is taking place in the municipality, and the flows into the plant are now requiring an additional facility; or we are going to discover that the distribution system, the pipelines have aged—Mr McIntyre noted pumping problems or whatever—and those have to be replaced. We have a number of programs to deal with those problems. Mr Castel, you may wish to speak to our financial aid programs.

Mr Castel: Generally, if there are operating problems, they are corrected immediately. The cost comes out of the operation of the plant. For municipal projects, we have a reserve account that covers the cost of repairs that take place during any one year. The reason for that is that it reduces the amount paid back to the ministry if the charge is done to the reserve account. For those municipalities that do not have a reserve account, it increases the cost of operating the plant for that particular year. If, for example, a pump worth \$200,000 has to be replaced, that would increase the cost of the operation of the plant for that year by \$200,000.

1600

Mr Dietsch: With those kinds of costs, if they can be incorporated within the current budget, that is one thing. Recognizing that that is not always possible, there being a sum of money that has to be allocated under capital, I would submit that for a lot of municipalities it is difficult to build reserve accounts.

In the area I represent, in the Niagara region, there is a reserve account that is built on the cost of the sale of water; so many cents per 1,000 gallons is put away to build those reserve accounts.

But at the local level, where you are talking about not the cleaning up of the water or the sewage but the distribution, municipalities are not always in the financial position to build those reserve accounts, because, quite frankly, they are busy paying off their debentures for the original correction in the system. A prime example is Niagara-on-the-Lake, which is one of the oldest communities in Ontario and the system that services the community is equally old. Therefore, it requires a tremendous amount of financial outlay in terms of capital.

The ministry has increased its budget substantially over the last few years to cover off these kinds of costs. I would like you to tell me what increase that was, because my concern is that the inspection will uncover some of these areas, recognizing that there is going to be a requirement for continual increase.

Mr Castel: The budget of the ministry has in effect increased considerably. For example, this year the increase is approximately 19 per cent and we have a budget in excess of \$520 million. In the area of water and sewers construction, unfortunately, as the deputy has mentioned, as the budget increases, the demands are also increasing at the same rate if not at a much faster rate. In the area of water and sewers construction, the budget again has increased by approximately \$42 million, and there are grant subsidies the

ministry provides that range from 15 to 85 per cent of the cost of a project.

What is not subsidized is the cost of operation. It is government policy that the cost of operating a plant is not subsidized; therefore, any costs due to repairs that may take place in any one year have to be assumed by the municipality or by the owners of the plants.

Mr Dietsch: I have a number of other questions, but in light of the early comments of the chairman that we were going to adjourn at this hour in recognition of or in sympathy for—however you would like to put that—my colleagues, I do not want to go on at length today when I know we are going to resume this discussion tomorrow morning. I guess what I am asking for is permission to continue my line of questioning in the morning.

The Acting Chairman (Miss Martel): That is fine with me. The only question I have is for Mr Villeneuve, because he was the last member on the list. Would he like to defer until tomorrow?

Mr Villeneuve: I can also postpone it. Just to maybe give a bit of warning, it has to do with the municipal-industrial strategy for abatement; it has to do with municipal politicians coming to me and telling me, "As soon as MISA comes into place, you ain't seen nothing yet." I would like to know a little about how it is going to be handled, what they need to worry about. We are talking about municipalities that are funded by yourself on a capital project in the 70 to 85 per cent range. I would like to have something on the record so I can say, "This is the way it looks like it's going to be, right from those people who will be putting it into place and looking after it."

Mr Dietsch: You are more kind than I was. I was going to question them on that tomorrow without warning.

Mr Adams: I am assuming we are going to finish, but so that tomorrow we can round off the inspections part, which has been our main focus this afternoon, I wondered if the auditor could comment on the protocol document fairly early.

The Chairman: I have asked him to do so and he said he would.

Mr Adams: So we could begin with that; I can say that to give them some warning. I ask it in part because it does seem to me, having run through it, that it is quite interesting in that it is set up as a sort of a value-for-money audit; you should be interested in that. It is set up, as I read it very quickly, so that the people in the field are prepared for the inspections and can provide information, which is useful. It also provides guidance for the actual people doing the inspections. I hope the auditor would comment on those things tomorrow.

The Chairman: I have asked the auditor to do two things: comment as you have requested; and also to comment on some of the evidence he has heard this afternoon. I believe there is a need for more clarification on a few points. He is prepared to do that. We will start with the auditor doing a leadoff statement, if you like, followed by the people who are on the list.

I have just received a note from our researcher. I do not understand the note so I am going to ask Ray to share it with us.

Mr McLellan: It is not the best handwriting.

The Chairman: You must have been a medical doctor by vocation.

Mr McLellan: If I could have some more information on the financial aid program to municipalities I would find that useful, explaining how that system—

Mr Posen: We will bring that in tomorrow.

The Chairman: Okay. We stand adjourned until 10 o'clock tomorrow.

The committee adjourned at 1607.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

ANNUAL REPORT, PROVINCIAL AUDITOR, 1988:
MINISTRY OF THE ENVIRONMENT

WEDNESDAY 23 AUGUST 1989

Morning Sitting



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Philip, Ed (Etobicoke—Rexdale NDP)

VICE-CHAIRMAN: Pouliot, Gilles (Lake Nipigon NDP)

Adams, Peter (Peterborough L)

Ballinger, William G. (Durham—York L)

Charlton, Brian A. (Hamilton Mountain NDP)

Collins, Shirley (Wentworth East L)

Cousens, W. Donald (Markham PC)

Fawcett, Joan M. (Northumberland L)

Nicholas, Cindy (Scarborough Centre L)

Nixon, J. Bradford (York Mills L)

Villeneuve, Noble (Stormont, Dundas and Glengarry PC)

Substitutions:

Dietsch, Michael M. (St. Catharines—Brock L) for Ms Collins

Faubert, Frank (Scarborough—Ellesmere L) for Mr Nixon

Johnson, Jack (Wellington PC) for Mr Cousens

Johnston, Richard F. (Scarborough West NDP) for Mr Pouliot

LeBourdais, Linda (Etobicoke West L) for Mr Ballinger

Martel, Shelley (Sudbury East NDP) for Mr. Charlton

Clerk: Manikel, Tannis

Staff:

McLellan, Ray, Research Officer, Legislative Research Service

Witnesses:

From the Office of the Provincial Auditor:

Teixeira, Michael, Director, Ministry and Agency Audit Branches

From the Ministry of the Environment:

Posen, Gary S., Deputy Minister

Guscott, David, Director, Kingston Regional Office

Castel, Andre, Executive Director, Corporate Resources Division

McIntyre, C. E., Executive Director, Approvals and Engineering Division

Balsillie, Dr David, Assistant Deputy Minister, Environmental Services Division

Bishop, Jim, Director, Water Resources Branch

Reid, Julyan, Assistant Deputy Minister, Operations Division

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday 23 August 1989

The committee met at 1008 in room 228.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1988
(continued)
MINISTRY OF THE ENVIRONMENT

The Chairman: This is the standing committee on public accounts. We have before us hearings on section 3.7 of the Provincial Auditor's report, 1988. We have with us the Ministry of the Environment. When we last closed on the first item that was before us, we were going to give the auditor an opportunity to respond to some of the comments and information that had been provided by the Ministry of the Environment. I am going to ask Mr Teixeira to comment.

MINISTRY OF THE ENVIRONMENT

Mr Teixeira: I would like to provide some further information on a point raised by the chairman yesterday concerning the auditor's comment on the availability of an annual water report.

There are two separate information systems that are administered by two separate ministry sections. These systems are the utility monitoring information system and the drinking water surveillance program. The utility monitoring information system, known as UMIS, contains data from both sewage and water plants, including information on the ability of these plants to meet ministry requirements. The new drinking water surveillance program also deals with water quality and also includes information on toxins in drinking water. The data collected for UMIS for water treatment plants were not integrated with the drinking water surveillance program data.

The annual report of the drinking water surveillance program is the only published report on water treatment plants. The drinking water surveillance program's 1986 annual report provided data on results of samples, including information on the number of times that individual water plants exceeded requirements. However, it did not reflect any information contained in the utility monitoring information system. Thus, there is no report that provides a full picture of the ability of water plants to meet the treatment requirements of the Ontario drinking water objectives.

The ministry responded to that and said it acknowledged that it will produce a single comprehensive annual report that addresses facility compliance with all water quality objectives.

That is an attempt by me to clarify the issue you had raised yesterday.

The Chairman: That is helpful because I think it was somewhat confusing to the members. Mr Posen, other members or other guests, are there any further comments you wish to make to that point?

Mr Posen: No, I think that describes the situation.

The Chairman: Fine. On the same item, I have Mr Dietsch and Mr Villeneuve on my list for questioning. Mr Adams?

Mr Adams: I did ask if the auditor could comment on the protocol that was submitted yesterday. I am quite willing for that to be dealt with later, but it was the other auditor item you had on your list.

The Chairman: Are you ready for that?

Mr Teixeira: Certainly. If the committee wishes, I can move to that point also.

The Chairman: Fine. Would you? The protocol was the document we asked for that had not been available to the auditor. Basically, it sets out a system of evaluation. Would that be a fair summary of what this document does?

Mr Posen: It is for inspecting and evaluating the water and sewage treatment plants.

The Chairman: Part of the criticism by the auditor has been that there has been an inconsistency in the way in which inspections have been done in the past. This is an attempt then to provide a system that would be consistent throughout the province, and I suppose it would make sure all items are covered in a systematic way. Is that correct?

Mr Posen: That is correct.

The Chairman: We have been fortunate to have a copy of this plan. Overnight the auditor has had an opportunity to look at it and I am going to ask Mr Teixeira if he has any comments on the process.

Mr Teixeira: The overall comment we have is an observation—I believe a committee member also made this comment yesterday—that the presentation is similar to an audit program in that it lays out the procedures to be followed and the important considerations to be made, and this allows for consistency among inspections performed. That was a positive statement and certainly will be of great assistance to the future inspections.

In terms of what we thought could be suggestions to the ministry, there are two. The first one deals with the responsibility and timing of the follow-up of inspection observations. The protocol document indicated this was to be done at the next inspection, depending on the severity of the problem and so on. But I was not clear how often this would happen. So in a decision-making process that would result in a follow-up inspection to be carried out, you may wish to consider establishing some criteria as to when a follow-up inspection should be done and possibly who will be responsible for it.

The other point—

The Chairman: Before we lose sight of that point, is there a response on that one point from the ministry?

Mr Guscott: I think one thing to bear in mind is how our inspection team fits with our regular abatement work. The protocol you have before you is being used to train our inspection team per se, but you will notice in there a reference—not well described because this is oriented very much towards inspection groups, so it does not talk about the abatement work—that the plan

is to have the report of the inspection team go to the abatement staff. They will conduct immediate follow-up.

The follow-up described in the document you had overnight is the follow-up that the inspection team will do itself at the next round. In other words, it is really a follow-up of a follow-up. The inspection will be done. That report will go to our regular abatement staff who will pursue an abatement program on any action items required. The follow-up will be immediate and will be very much action-oriented. The follow-up described in the document is really to make sure that loop was closed when it gets around to the next inspection.

Mr Teixeira: That is appropriate.

The Chairman: I have one question just on this document, and that is that this committee and indeed the Provincial Auditor was critical a year ago in its previous report, in the 1987 report, about the monitoring of air pollution. I wonder whether you have a similar protocol document for inspection vis-à-vis acid rain and that kind of problem.

Mr Posen: We are certainly prepared to talk to you about the follow-up, because a year ago we did mention to you that we were developing a process for verifying the Countdown Acid Rain emissions and we have just about completed that process. It turned out to be a very complicated one, but we have had the consultants and the consultants' report and are prepared to talk to you about that.

The Chairman: I do not want to deal with it now. I just wanted you to know we had not forgotten that, nor has the auditor.

Mr Posen: We have never forgotten it either.

The Chairman: It would be useful if you could give us a follow-up in writing. We may wish to recall you at some point on that particular report.

Mr Posen: We would be happy to do that.

The Chairman: Thank you. Mr Dietsch.

Mr Adams: I think Mr Teixeira has a second item.

The Chairman: I am sorry.

Mr Teixeira: I will just follow through. I find the response by the minister is appropriate. It was not clear from the document that indeed such a follow-up was to be done.

When we turn to the inspection finding section of the procedure, you were not clear how those specific findings, towards the end of the document, tied in with or related to the specific procedures. We thought that possibly the inspection finding section here should be organized according to the procedures or possibly cross-referenced to those procedures. That was our comment dealing just with that aspect of the form.

The Chairman: I see heads nodding. For Hansard, does that mean you are in agreement or that you are going to consider it?

Mr Guscott: I think that is something we should consider for the document. If I can repeat, just to make sure I have got the point clearly, I take it that where we have criteria, etc, they would be put right in the inspections finding report so that it was immediately obvious whether or not there was an exceedance or a problem related to a standard. Is that correct?

Mr Teixeira: That is correct.

Mr Guscott: I think that would be helpful and we will certainly consider that in the future drafts.

Mr Teixeira: The very last overall comment I would make is that we did look at the form, and from a very general point of view, the validity of the completion will be dependent on the quality of work done. That is sort of the last comment.

Mr Adams: I appreciate the thought you have given the protocol overnight and your last remark is obviously true. Forms do not really make all that much difference. But my sense on reading it last evening was that that protocol, in the form in which it exists, was in fact a very positive response to the criticisms in your report and that was why I asked you to look at it. Would you agree generally with that statement?

Mr Teixeira: Certainly it is.

The Chairman: There being no further comments from the auditor and I gather no further comments from the ministry on this point, I am going to revert to my list. Mr Dietsch, once again you are on.

Mr Dietsch: I appreciate your insistence on getting me on for some questions.

I want to go back to some of the discussions we had yesterday afternoon with respect to my concern over the unfolding of the requirement for additional dollars to clean up areas that would be uncovered during inspections.

To start with, I would like to just point out that in previous hearings before this committee earlier this week on a different ministry, they pointed out that they had a lot of interface with other jurisdictions, meaning American jurisdictions. For the committee's benefit, I am referring to the Ministry of Transportation's comments before this committee.

I would like you to point out to the committee members, and for my benefit particularly, whether or not you go through a process of interfacing with other jurisdictions with regard to capitalizing on programs they may have developed in their areas of jurisdiction. Have we been able to take full advantage of the experiences and the knowledge other jurisdictions have picked up, or are we being somewhat facetious in picking up on Jack Johnson's point with respect to Ontario being a leader in this jurisdiction and not having that opportunity to pick up on those areas? I would like some comments on that to begin with.

1020

Mr Posen: I think, Mr Dietsch, a general answer in this regard is that the ministry does have a good deal of contact with the federal government—Environment Canada—and the other environment ministries across

the country through the Canadian Council of Resource and Environment Ministers. We are very active on a number of the committees and provide a lot of the resources to that organization on a number of the issues they are looking at across the country.

We also have very good relations and contacts with the United States Environmental Protection Agency and take advantage of a lot of the work it does and the experiences it has gained in a number of areas. Similarly, we have contact with neighbouring border states such as New York and Michigan in particular and are aware of a number of the programs they have under way.

Additionally, the Ministry of the Environment is made up of a high percentage of professional, technical and scientific staff, many of whom are members of professional organizations in Canada and North America. Through that contact with counterpart experts, they are aware of a lot of the leading work that is being done. They are aware of a lot of mistakes that have been made elsewhere. They are aware of a lot of the frustrations that go on in other jurisdictions.

A number of our staff are involved in international organizations. Our staff, rather than the ministry, are playing host to a conference of dioxin experts this fall. There are not a lot of them in the world and our laboratory and scientists are considered among the leading experts in that area.

It is through that wide set of relationships that I believe the ministry has a good sense of what is going on across the range of environmental issues and problems that we deal with and has, I think, our best sense of what is happening in Canada, a very strong sense of what is happening in the United States, and through our involvement in international conferences and some of the international initiatives we share with the federal government, a sense of countries such as West Germany and Scandinavian countries that have similar problems to Ontario such as in the area of acid rain.

Mr Dietsch: Where do we fit in in this process? Are we able to take advantage of some of the programs? I can relate back to my municipal career and some of the problems we have experienced; for example, overloading in a particular pumping station and the pumping station not having the capacity to remove as quickly to the lagoon site the sewage that is disposed in that way. Therefore there is some bypassing and I do not know whether it falls into the category of unnecessary bypassing or just bypassing.

I know from the municipal viewpoint that there are not enough dollars in the municipal coffers to correct those kinds of difficulties. I guess what I am trying to zero in on are the kinds of programs we have that would correct those situations in comparison to the kinds of programs other jurisdictions would have to correct, and where we fall in that scale.

Mr Posen: There is no doubt that in Canada, Ontario has moved farther and faster in terms of providing for municipal water and sewage infrastructure. The province is basically covered with primary treatment plants, we have a large number of secondary and some tertiary. Some of our neighbouring provinces are still working on those primary plants. So there is a very good base here. It was noted yesterday that some of that base is beginning to age. There are improvements that have to be made there and I think that as we are becoming more aware of the more exotic problems in our water and sewage waste, that has required more sophisticated treatment. I think it would certainly be fair to say that Ontario is the leader in Canada in its ability to treat those wastes.

Mr Dietsch: Of the programs, I am aware of the LifeLines program. What other programs can municipalities go to for assistance, that are going to help these areas uncovered by inspections?

Mr Posen: I am going to ask Mr Castel to talk about our capital grant programs and the LifeLines programs in response to your question.

Mr Castel: As the deputy has said, there is tremendous co-operation with other jurisdictions in this whole area of infrastructure financing. We had an agreement with the federal government, as an example, whereby the federal government assisted in funding water and sewage projects over a five-year period. Unfortunately, this agreement expired a year ago and the last payment that was made by the federal government was in the last fiscal year to the tune of \$382,000. Of course, we have been trying to renegotiate agreements with the federal government, but so far this has not been very successful because the federal government is not funding water and sewage projects.

We also have consultation with other ministries. For example, the Ministry of Northern Development and Mines is providing \$3 million to us this year to further assist construction in the north. We are trying in every way possible to get assistance and funding from other areas to supplement our funding, which is being increased from year to year. As an example, in 1986-87 we had \$125 million for water and sewage construction. In 1987-88 this was increased to \$157 million. In 1988-89 we got \$177 million, or another \$20-million increase. As I was saying yesterday, in 1989-90 we will have another \$42-million increase for water and sewage. So the funding is increasing all the time, but by the same token the demands are increasing.

With respect to the types of programs we have, first, we have what is known in ministry terminology as a disbursement program which covers facilities that are constructed under two types of agreements. The first is what we call ministry-municipal joint projects. These are financed under term agreements up to a maximum of 30 years, after which time the municipality acquires ownership. There are also provincial projects that are financed and owned by the province. Capital and operating costs are recovered for water and sewage services. The second type of program is what we call the upfront grant program. Here we provide subsidies to municipalities for the construction of water and sewage facilities. These are direct subsidies that are provided.

In 1986 the ministry produced what is known as the LifeLines program or infrastructure rehabilitation. This is an activity that was introduced to assist in the preparation of infrastructure planning studies in an effort to compile an inventory of underground water and sewer systems and develop cost-effective initiatives for the renewal of these systems which, as the deputy was saying, are ageing. Some are perhaps 20 years old. In the 1990 budget, we have an amount of approximately \$12 million for this purpose.

Basically, these are the programs that are established, and of course there are various funding mechanisms for the regular water and sewage projects, the upfront grants I was describing.

1030

The grant funding depends on the population served by the facility and cover 85 per cent of the cost of a project where the population is 1,000 or less. It recovers 15 per cent, or up to 33 1/3 per cent of costs where the population is greater than 7,500. There is a percentage on a sliding scale,

between 85 per cent to 33 1/3 per cent of costs, where the population is between 1,000 and 7,500. This program has been in existence for some time. What we call the rural water lines or rehabilitation projects are funded at 33 1/3 per cent subsidy. The infrastructure planning studies which determine the needs are funded at the level of not more than 85 per cent and not less than 50 per cent, again depending on population. Basically, I believe these are the main programs the ministry has.

Mr Dietsch: There is another area that concerns me when you move into programs like these.

The Chairman: If you are going to move into another area, I wonder if you will let Mr Villeneuve have a supplementary on this one area.

Mr Villeneuve: Are you telling me that municipalities in northern Ontario could be getting more than 85 per cent if there is a distressed financial situation, that type of thing? Is that right?

Mr Castel: Yes. In some cases, we have supplemented our existing subsidy level by funds provided by the Ministry of Northern Development and Mines. Depending on need, this could happen.

Mr Villeneuve: Eastern Ontario in many areas is basically similar to northern Ontario in that we have pretty depressed economic situations. I happen to have one case in an area I represented in 1984, where a \$2.6-million sewage project in Charlottenburgh township finished up this year at a cost of \$7 million. There is financial distress for the people who are being served and the municipality. Where would these people go for additional funding? Their taxes are effectively going from \$700 to in excess of \$4,000 per household. Some of these people are on fixed incomes. They are very modest properties, at best. Is there anywhere this municipality can turn? If it were in northern Ontario there would be assistance. Being in eastern Ontario, I gather the 85 per cent is being funded by you people. However, the unforeseen cost, going from \$2.6 million to \$7 million, is—

Mr Posen: I take your point that there is a program for northern Ontario and not one for eastern Ontario, that there is no special program for any region of the province other than the north. Where municipalities have run into problems we have been willing to review the situation. But in the kind of circumstance you are mentioning our advice to a municipality would be to sit down at a meeting with ourselves and the Ministry of Municipal Affairs to consider its situation.

Mr Villeneuve: A joint meeting?

Mr Posen: Yes.

Mr Villeneuve: There is definitely some financial distress here. The LifeLines program you speak of cannot be brought into place? It is up to 85 per cent and no more?

Mr Castel: The LifeLines program is for infrastructure renewal and subsidies up to 33 1/3 per cent.

Mr Villeneuve: So they would not qualify under this particular program at all.

Mr Faubert: I have a supplementary to that.

The Chairman: I think you have Mr Dietsch's permission, Mr Faubert, for a supplementary.

Mr Faubert: I think Mike knows what I was going to ask anyway; it is really an extension of what Mr Villeneuve was getting at. I am just trying to establish the adequacy of the program you have just described, assistance to municipalities for water and sewage. I understand a number of municipalities this year have not been able to get funding approvals in central and eastern Ontario in spite of the increases. Perhaps you would like to comment on the adequacy of the funding to that program or the demand and the need for that.

The Chairman: Before you do that, I realize it is very hard to separate the different topics, but I think we have been drifting into the second topic. If everyone is finished with the inspection section, then maybe we can start in on the second topic if that is your pleasure, in which case Mr Dietsch had a series of questions on it.

Mr Dietsch: The difficulty is that they knit together.

The Chairman: I recognize that. I wanted to give the ministry an opportunity, if we are going to move into the sewage discharge into the lakes and rivers and what the municipalities are doing, or the auditor's criticism of the lack of information the ministry has on this, to give its response, and then we can ask questions on it. It is the normal protocol to allow the ministry to give its version first, and then we can ask those questions. I will certainly keep you on the list.

Mr Faubert: With respect, Mr Chairman, there was a series of questions asked in that area and mine are supplementary to it. Perhaps they could just answer very briefly, and then we could get on to the whole program.

The Chairman: Would you like to answer the question?

Mr McIntyre: In a very general fashion, the number of requests we had for funding this year far exceeded our availability of funding. But to understand why that is, you have to go back into the process. Once we undertake to start funding the capital part of a project, we commit ourselves to funding it through. When you get involved in a number of projects that extend over a number of years, you do not have available in any given year all of your funds for new projects, because a whole bunch of their funds are for carryover projects. Because of the state of the economy over the last few years, there has been an awful pile of projects get under way; therefore, the amount of money we had for new projects was very small—not the total amount of money we gave out to municipalities; do not get me wrong. We went through our priority list that I explained yesterday, until we had run out of money and that stopped.

Mr Faubert: You are indicating there is a great demand out there.

Mr McIntyre: There is an absolutely fantastic demand out there. It is caused by the state of the economy. If I go back to the period of 1981-82 when our economy was downhill—if that is the way it is expressed; I am not an economist—the demand was such that the availability met the demand. But, as Andre explained earlier, we have had great increases and still cannot meet the demand.

If I can answer an earlier question by Mr Dietsch, he asked about the Ontario program in relation to other states and provinces. To the best of my

knowledge we are the only province in Canada that gives out grants to build water and sewage works. Likewise, in the United States they depend upon the federal government for most of their funding, and I understand from reading the editorial comments in technical journals that it has been very difficult to get money from it for that purpose.

Mr Dietsch: My two colleagues might be able to help us get more money. I am not sure, but we will work on that, will we not, Mr Villeneuve and Mr Johnson?

I appreciate your concern about keeping on topic, Mr Chairman; I am a supporter of that concept. However, the way these segments knit themselves together makes it very difficult, because, from my view, I look at the inspections as unfolding the challenges the ministry is going to be faced with; recognizing that properly standardized to begin with, we will hopefully be able to acknowledge dollars to the challenges as they unfold, if I make myself clear.

The area I am concerned with is making sure that when these inspections are done and we unfold the difficulties that have to be addressed there are dollars in place to address them. Coming from a municipal background, I know it is extremely difficult for smaller municipalities to have the dollars in place, because they are still busy paying off some of their capital expansion. I am sure my colleagues from small municipalities will understand my point in that respect.

1040

I want to go into the area called the municipal-industrial strategy for abatement. In my opinion, there are a number of challenges faced not only through water and sewer but through our industrial sector, which we need to support in order to enhance growth in the economy. Perhaps the deputy minister could give us some overall comments with regard to exactly where the program is at this point.

Mr Posen: The MISA program is designed to protect the quality of water in Ontario by greatly strengthening the kinds of controls we have on the effluent from industry and from municipal sewage treatment plants. We have been working on the industrial side in a number of sectors to develop the monitoring regulations which will give us the information to allow us to focus on effective limits regulation.

Most of those monitoring regulations have been developed and have been put out for public comment. A number of them have gone through that stage and have now been promulgated, and a number of the industrial sectors are in the process of providing us with the monitoring data.

I am going to ask Dr Balsillie to follow up with the detail of where we are with those regulations on the municipal side.

Dr Balsillie: As the deputy has stated, we have a number of industrial sector regulations which we are either in the process of developing or have in place. There is the petroleum sector, inorganic chemicals, iron and steel, mining, pulp and paper, organic chemicals, metal castings, electronic power generation, industrial minerals, and then the municipal sector.

The one which is most advanced is the petroleum sector; that was promulgated and the monitoring began 1 December 1988. It is a 12-month

monitoring program which will finish in December 1989 and we are receiving the data on that already.

The remaining industrial sectors are in various stages of promulgation. The situation exists that once the regulation is promulgated there is a five-month gear-up time for each of the companies to put the equipment in place to collect the samples and to have them analysed, so that five months from promulgation the regulation takes effect and at the end of that five-month period we begin to receive the data.

This is a very rigorous program, where the company is required to submit an initial report about how it is going to put all this activity into place. This is followed up by a team inspection from the Ministry of the Environment to make sure the flow monitoring, the sample collection and the laboratories are in place. Our own laboratory is doing quality assurance/quality control checks on this. We are also doing split samples, as well as environmental scans of our own, in order to make sure that the self-monitoring by the industries is adequate and meets our own standards.

What we are doing is taking the data which will be submitted by each of those industries and we are working together now with the industries to resolve what we consider to be important issues, in order to be able to develop the effluent limits regulation, which will dictate how much effluent a given industry will be allowed to discharge into the waterways of Ontario.

The ultimate goal of the MISA program is virtual elimination of toxic emissions by applying to those emissions the best available technology that is economically achievable. Government and industry are working together to come up with a series of about 25 issues that will be resolved between now and the end of the year. Having resolved those issues, we will then negotiate the effluent limits regulations for each of those nine industrial sectors. Having that in place, the best available technology will be applied to those industries across the province and we will be well on our way to achieving the target we have set for ourselves.

With regard to the municipal sector, we have two areas that we are working on, one being the emission by what we call indirect dischargers, which are industries that put their effluent into the sewers—how we are best going to control those industries—and the second being the sewage treatment plant regulations that would control the amount of effluent that would go through the sewage treatment plant in terms of toxics and then ultimately be discharged.

We are working together with the municipalities and with the industrial sectors to come up with a program with regard to this area. We have had large amounts of negotiation, discussion and meetings with both the Association of Municipalities of Ontario and the Municipal Engineers Association in order to come up with a system that is fair and equitable and one that can be afforded by this province. We are looking to develop somewhere in the neighbourhood of 22 sector regulations to be placed on industries that dump their effluent into the sewers.

We are looking heavily towards pretreatment of effluent so that it does not get into the sewers and so that the sewage treatment plant and the municipality downstream are not responsible for removal of toxic effluents through their sewage treatment plants. Sewage treatment plants were not

designed especially for the removal of toxics. They were designed to treat biological waste.

We want to get a program that is fair and effective to remove the wastes before they get into the sewers and to have effluent from our sewage treatment plants that is designed in order to protect the waterways of Ontario. That, in a nutshell, is a quick overview of a very large program. I would be willing, along with Mr Bishop, to answer any specific questions.

Mr Dietsch: I very much appreciate the overview because it gives us a context in which to travel now. I am very interested in knowing the funding aspect particularly, and then I will yield the floor to some of my other colleagues who I am sure have a lot of questions in this area as well.

Municipalities are faced with a number of costs. Is the ministry going to assist them to make funding available to municipalities to help them implement it. I see it in two sectors, quite frankly. I see it in the industrial sector, which is going to do some corrections within its own plants, and I see it in another sector from the municipal point of view, with respect to the people who are going to be faced with the treatment of the effluent that escapes from the industrial sector into the sewage system. So I look at it as two different focuses.

I am interested in the funding aspect of what is going to happen to that industrial sector and what is going to happen to that municipal sector. What kind of assistance are we going to provide to those areas?

Dr Balsillie: In terms of the industrial sectors, those industries that would be emitting toxics from their industry into the sewers would be responsible for the removal of the waste as dictated by the effluent limits regulations. It is hoped that will assist in the removal of toxics going into the sewer system so that what we are looking at is implementation in a stepwise fashion so that if we can get removal of toxics going into the sewer system, then possibly we will not have to treat them to the same degree if we do not have the same volume.

We are looking at ways of implementing this, as I said, in a stepwise fashion so that we ease the financial distress on the municipalities, because we are aware of the costs that are involved. We have looked at those situations. We want to do this so that we see, after we have some of the material removed, what the influent to the sewage treatment plants should be and then what would be the final effluent, based on the improvements we would see.

1050

There are other aspects we are considering as to whether or not we need improvements to the sewage treatment plants at any rate; in other words, whether the total amounts of normal discharge of nitrogen, phosphorus, etc, going into the waterways needs to be looked at in addition to that.

We are looking at all these things in a combined fashion and we will be dealing with that in the next few months in terms of having further discussions with the municipalities. We will be in a position to fund the municipalities through our normal grant process, which as you have heard has provided some assistance to municipalities. But whether it is going to be

enough or not needs to be reviewed and we are looking at ways in which we could fund the municipalities in terms of the municipal sector.

The final decisions on how much would be available to the municipalities have not been taken, so it is difficult for me to report to this committee on how much money would be available since the decisions have not been made.

The Chairman: Dr Balsillie, you leave a question in your answer, I think, and that is that one of the auditor's major complaints was that you did not know what was going into the sewage systems in the first place. In your answer I heard of ways of trying to eliminate some of the toxins at the industrial site level, but I did not hear you say that in three or four months' time you had a way of finding out what was going in in the first place.

Dr Balsillie: There will be monitoring of the inputs to the sewer. That will be part of the program.

The Chairman: Okay. We have a supplementary from Mr Adams and a supplementary from Mr Johnson, I believe.

Mr Adams: As we are leading into this matter of discharges into lakes and rivers and getting some background from Dr Balsillie, I wondered if you could give us some sense of the trends that are already going on of industrial discharges into the lakes and rivers.

Yesterday we saw those very fat data reports. There were some curves in there and I think they were by different industrial sectors, by the oil and gas industry, perhaps, and by the iron and steel industry and so on. There are already some patterns in there that I thought were quite different between industries and looked quite interesting in terms of what the industries might be doing at the present time.

Dr Balsillie: The ministry has had activities in the abatement area under way for a number of years in order to relieve the discharge of various contaminants into the waterways. The MISA program is a response to the fact that we needed a concerted or total effort in order to attack this in a systematic fashion.

However, we have seen over the last number of years, reductions in total effluents of materials into the waterways through the control order aspect of the ministry's abatement activities, where we have a known pollutant that is going into the water in an unacceptable level and we apply a control order to that industry in order to reduce the amount of effluent into that.

In the municipal area, where both the municipality and the Ministry of the Environment have operated sewage treatment plants, we had over the last couple of years a 37-sewage-treatment-plant study that looked at materials that were coming down the sewer and being treated in a sewage treatment plant and being emitted into the waterways, so we do have a handle on those types of things.

I think another aspect is the fact that when we look at, say, sport fishing in Lake Ontario, a number of the toxics we have concerns about have been on a decline over the past several years. We are optimistic that we will be able to keep this trend going, that it will be enhanced by the MISA program and that ultimately we will have the Great Lakes and the rest of our inland waterways in very good shape.

Mr Adams: Would there be any other comment on the curves from yesterday?

Mr Bishop: Yes, I have. As Dr Balsillie has indicated, we have collected this data for many years. It has been published, every fall generally, in the report that is entitled Industrial Inventory or some such wording. What it indicates is the number of plants, using their own data. These data are generated by the plants themselves because it is an enormous undertaking to continuously monitor the effluent from 400 direct discharges. They all fall into the categories Dr Balsillie talked about earlier. The nine major sectors comprise most of those direct discharges.

For the last several years, we have put together this inventory so that you and the public at large and indeed the companies could track their performance compared to the conditions laid out in their certificate of approval for operation, control orders for those that had control orders placed on them and there are many in the province that do have, or compared to guidelines and criteria that were established by this ministry, often with help from the federal government, particularly regarding mining and pulp and paper discharges.

What the data tend to show over the last four years for the industries is a gradual improvement. I am not saying that four years means there is a trend towards great improvement, but there is a gradual decline in the number of industries that are not complying with their limits. It is not dramatic. We expect it will become quite dramatic when MISA is fully implemented. As you have heard already, there are two stages to that implementation.

The first is the gathering of the monitoring data so that we do not have a report that comes out this thick and all it talks about basically is suspended solids and oxygen-consuming material, and in some cases you might get as sophisticated as running a phenol test on it, and none of the chemicals that are of particular concern over the last five or six years, like dioxins, polychlorinated biphenyls or mercury. There is just no database for what they are discharging. Similarly for the sewage treatment plants in the province, now 415 of them, there is no database for what they are discharging outside of some indication of suspended solids, oxygen-consuming material and ammonium.

That is what this first stage of MISA is all about, trying to get those data. The charts that are in that report, I believe, indicate how industry has responded over maybe the past decade and a half. In general, it is a very positive picture. You can paint an extremely positive picture, if you want to, with those statistics. It shows that for the parameters like biochemical oxygen demand or suspended solids, even though production is way up, say, for pulp and paper or iron and steel, the amount of this material being discharged in absolute tonnage per day or per year is down by factors of 15-fold and 20-fold. Not down by half; it is down by 20-fold in some cases. That is a remarkable achievement.

The bothersome part of it is that it only deals with very conventional parameters. That is what we are trying to achieve with MISA, the focus of which is on persistent toxic chemicals: the dioxins, the polychlorinated biphenyls and so on. Does that address the question?

Mr Adams: That is excellent.

The Chairman: I am starting to get a long list of people who want to

ask supplementaries. I am going to ask Mr Dietsch how much longer he wants to go.

Mr Dietsch: I am going to yield the floor and if the questions I want to ask are not raised, I will come back at a later date.

The Chairman: Then I will put you back on the list.

Mr J. M. Johnson: This question may be a little beyond this, but I think it has some merit. The auditor's report deals with the problems of inspection. I wonder if we can go beyond that. In some industries you encourage plants to have lagoons and recycle before the discharge hits the sewage system. Is that correct? I can think of Noranda in Fergus as one example where there is a fair-sized pond. They recycle the water. It helps eliminate some of the problems you have. If this is the situation, would it make sense that the Ministry of the Environment should have some input into new industries being established, how they are built, the land they are built on, availability of enough land so they could have a lagoon system or something of that nature? It is hard to deal with old factories and industries that have been in existence for many years, but I am thinking in terms of the approval process for the future. Would there be any merit in that?

1100

Mr Posen: Certainly, when a plant is established, to the extent that there are air or water emissions from that plant, approvals have to be provided by the ministry through certificates, so we do have an opportunity to comment on them. I guess it is almost a truism that with regard to new plants, people are prepared to invest in the newest or latest technology.

It is in retrofitting some of the older plants in the province that it is a much greater challenge. It is very hard to set out. In some cases, they do not have the space and in other cases, to fit together the kind of modern pollution control equipment on old machinery is a challenge. But slowly, I think that has been coming about. I do not know, Erv, if you want to comment any further on that aspect.

Mr J. M. Johnson: I guess my question quite simply is whether you have the power to require industries to provide a lagoon system, for example, if that were beneficial for environmental problems.

Mr McIntyre: Where the industry is discharging just directly to the environment, absolutely.

Mr Posen: But if the industry is discharging to a municipal sewage system and the municipal sewage system is being treated, in terms of environmental quality that is a way of dealing with it. From the industry's point of view, it will be surcharged to do that by the municipality. They will have to make up their minds whether it makes more sense for them to pretreat through a lagoon or other system before they discharge into the sewage system or make a deal with the municipality and let the municipality treat it.

Mr J. M. Johnson: One last comment: I would just like to congratulate Dr Balsillie on his efforts to enhance sport fishing.

The Chairman: This brings us to the second major series of criticisms of the auditor, namely, that the bypassing system is not integrated in your assessments with the regular operations of the sewage system. Indeed,

under the Environmental Protection Act, if it is deemed to be unnecessary, there is nothing that is being done in the case of a municipality. There has to be an extreme circumstance. What the auditor did not report is that you also have the problem in terms of the federal government which claims that you do not have any authority and therefore it can dump whatever it wants from the airport in Toronto into the system.

I wonder if you can address the auditor's comments, because you have been dealing with the municipal-industrial strategy for abatement, which deals with an attempt to get at the problem of the source, at least for those that are within your jurisdiction, and the airport is not.

The other problem is that there is no regular report produced in monitoring under the ministry's utility monitoring information system to inform you people how much bypassing is going on and what is going in. So in a sense, whatever figures you come out with on the sewage treatment plants may not mean an awful lot because they could be bypassing on a fairly regular basis and dumping all kinds of sewage without your knowledge.

Mr Posen: Again, I think my response, as I noted in correspondence with the Provincial Auditor, is appreciating a fresh perspective on this issue and I think we have responded in that light.

I think most professionals in this area would regard bypassing as something that is going to happen from time to time. I am not implying that we take it for granted, but I think any engineer or operator would note that in terms of the design that is something that is going to happen from time to time.

As a result, the ministry's view in terms of reporting on it was that if it is going to happen from time to time, if it is happening at a fairly even rate, if we are convinced on the basis of our experience that it is staying at a very minor level, it was nothing that anybody got very excited about. I am quite confident that there are not huge examples of bypassing. I am not going to argue that we are aware of every incident, but I think our sense of how much is going on is accurate.

The advantage of the auditor's report is being able to sit back and say, "Fine; as professionals, people may feel comfortable, but in terms of reporting and providing people with that complete sense, that is something we should be looking at."

In response to the auditor's comments, we have gone back to look at the situation of bypassing. The auditor had asked how, if the issue is one of necessary versus unnecessary bypassing, we defined those situations. We have attempted to provide that definition. We have asked our plants to report, and the 1988 municipal sewage discharge report will be reflecting the reporting that we have from the plants in terms of bypassing. I would simply note to the committee that we still have a problem. That report, again, will not be totally accurate because a number of the older plants do not have the measuring equipment to let us know the precise flow that has gone down. They will be able to let us know that there was a bypass, but will not be in a position to let us know the precise flow.

The Chairman: If I can stop you there just on those comments, what you are saying is that regarding the auditor's criticisms that (1) there was bypassing taking place that you did not know about, (2) samples were not being taken by a number of plants, and (3) there was a problem in terms of

definition as to when it would be acceptable and when it is just something that very little can be done about, you have corrected the definition problem, although you have not supplied that to the auditor yet, I am told. So you may wish to do that, and I would appreciate if you would comment on whether or not the action you have taken there has been in the direction that he wished.

I hear you saying that some of the plants still are not in a position to do adequate sampling of the bypass.

Mr Posen: Certainly, we will have reports of all bypassing occurrences, but some of them will not be able to tell us precisely the amount of the flow during that period.

The Chairman: But they will give you samples of each flow so that you will at least have some idea of what is going by them?

Mr Posen: Yes.

The Chairman: So every one of them, then, will be taking samples, whereas they have not in the past?

Mrs Reid: Just to elaborate on what the deputy minister said: Where we do not have the actual mechanical equipment, we have developed a sort of modelling procedure to estimate the bypass. What we do is a worst-case scenario. It is always better to put that in than say, "This is possibly what happened." So we will be able to report on all bypasses that we are aware of, and we have made arrangements to report that on a monthly basis.

The Chairman: I think you are dealing with quality—or are you dealing with quantity?

Mrs Reid: I am dealing with quantity.

The Chairman: The problem the auditor dealt with was not just quantity but also quality and the fact that you do not know what is being bypassed and these plants do not know because a lot of them are not even taking samples of what they are allowing to bypass. My question, which I still have not heard an answer to, is: What are you doing to find out what is being bypassed? Is each plant now at least going to take samples so that you will have some idea of what is going out there as raw sewage?

1110

Mr Guscott: I think that part of the difficulty in dealing with this question is the nature of the conditions under which sewage treatment plants bypass. They do not bypass under normal conditions; they bypass under storm conditions. They bypass when flows due to surface water runoff, and in some cases overflows from the storm sewer system, enter into the stream of waste that would normally go to the sewage treatment plant.

First of all, you can ask why we bypass at all. We bypass so that we will not have that surge flow running through the plant. If we did, it would take some of the solids which are partly digested in the system and send them right out in the effluent, the outfall, which would obviously have a great impact on the environment.

What we are essentially dealing with is the storm wastes over and above the waste that would normally come into the plant. We know the quality of the

waste that comes into the sewage treatment plant on a regular basis from sanitary flows. We also know that if we have had a prolonged dry period, that first flush of rain from a storm picking up litter on the street and other dirt and grit is highly contaminated and in fact it is very similar to normal sewage in the first flush. So we have a good idea of the characteristics; we have done plenty of studies of that across the province to know that after that first flush, you are essentially dealing with very dilute sewage. In other words, after the first flush, it is essentially rain water mixed with what would be the normal sewage flows.

So no, we do not make a habit of sampling those. We have lots of data. We can model with the characteristics of that waste would be and it varies with how long it has been since the last rainfall, etc.

Again, as I say, we are dealing with that under storm conditions. The staff who are in the plant are not taking samples of the bypass material generally, because they are protecting the sewage works at that time. They are in a difficult work environment at that point, ensuring that the valves are set properly to protect the plant itself.

The Chairman: Since this was a major area of criticism, I am going to ask Mr Teixeira if he has any comments on the replies we have heard.

Mr Teixeira: The question that you asked, Mr Chairman, dealt with whether indeed some sampling procedures will be carried out. I was wondering, at great risk, whether indeed your response covered that question; whether you will indeed be sampling—

Mr Posen: I think we were having difficulty with it because we are having difficulty understanding why there would be a need for special sampling at that point. As Mr Guscott has noted, there should be no surprises at that point. We know the first flush-through in a storm will be more contaminated than a regular flow. We know from that point on that all we are looking at is the ordinary diluted sewage that comes through the plant on a regular basis.

I guess in doing samples, we would not expect to find anything other than those two situations because the bypassing occurs largely in those kinds of situations.

We are looking at spring thaw time in some parts of the province. We have very heavy water flows. We are looking at major storms, which create a problem and will result in bypassing. Finally, there will be equipment failure from time to time—rarely, but it happens—and the plant will not be able to handle its normal flow.

Those are the circumstances in which bypassing occurs. As the auditor noted, to put it into context, we are looking at likely three per cent of the flows into the sewage system. For the year the auditor looked at it and in our review of it in the next year, we think we are probably closer to one per cent or two per cent. It will be up and down with the weather, but I think, keeping it in context, it is a fairly minor occurrence.

It is one that worries us. It is one that we try to control as best as possible but in terms of toxics coming through there at that point, we see no reason to be highly concerned about that. The only possibility is if somebody was playing midnight dumper but that is a possibility at all times.

Mr R. F. Johnston: I was going to say illegal dumping could happen

two days after a rain or something. You want to check—

Mr Posen: That would be true at any point in time.

The Chairman: I guess why I find your answer a little troubling is that—and I do not want to quote any specific person in the ministry—but some of your people have been fairly critical of the federal Department of the Environment and have said that you have done samplings that show that different industrial areas tend to have a different or more serious overflow content than others.

In particular then when you are examining some of the overflow from an area such as Lester B. Pearson International Airport, you said in fact that the overflow from there may be of a more polluting nature than perhaps from somewhere in Scarborough that has a different type of industry.

I am wondering then, if you can sample enough to make that kind of criticism of what the federal government is not doing, obviously you do have some figures on overflows and you do know that some industries create a bigger pollutant problem in time of rain storms and so forth than other industrial areas. Surely, it would be necessary to have those figures if you are going to plan any major capital expenditure to try to rank which areas you are going to put your funds into to try to do something about the bypassing situation.

Mr Posen: Our concern with the airport is not that they are flowing through the sewer system; our concern is the federal airport is going around the sewer system directly into the—

The Chairman: Into the storm water.

Mr Posen: —storm water which never comes into the plant.

The Chairman: But the argument is the same though. You have done testing and you find that certain types of industries create worse overflow or pollutants than other areas and therefore why would you not test regularly to find out where your major problem areas are?

Mr Guscott: I think the confusion here may be over the term "overflow." In the case of the airport and industries of that type, as the deputy said, that is not sewage that we are dealing with. That is storm water runoff from the airport and from the normal use of de-icing material, etc which is gaining direct access to Mimico Creek.

Let's remember that a big part of the ministry's work is not just sampling bypasses, etc, but in fact looking at the impact of sewage treatment plants, industry, storm water, etc on receiving water bodies. That is the way we find the problem in Mimico Creek. It is not by testing what is particularly coming out there. It is looking at Mimico Creek, observing a problem and following that up to the source and we do that very same procedure with sewage treatment plants and other sources of problems.

We look at an impact on the receiving body. If we find that impact, we trace it up to the source. If we find, for example, that a sewage treatment plant is having an adverse impact due to bypassing then we go back into that plant and that is when we look at measures of expanding the capacity, putting in tanks to hold the storm water for treatment at a later date, etc, which is in a way related to certain problems in the Toronto area.

Mr Posen: I take the chairman's point that as the municipal-industrial strategy for abatement program is put into effect that kind of measurement will be taking place in terms of the influent and the effluent from the plant.

Mr Faubert: I had a couple of supplementaries on MISA, but while you are on this particular thing and as it relates, if I might, then put a supplementary on yours.

On this issue of bypassing, is that the issue of the contamination of the beaches in Metropolitan Toronto or is this sewer separation or what is it?

1120

Mr. Posen: I will allow Dr Balsillie to speak. There is a mix of problems. One is the combined sewers, and there will be the occasional overflow; but I would think in the Toronto area largely, it is a combined sewer problem.

Mr Faubert: The ministry funds, does it not, programs for sewer separation? On that basis, is that a continuing one? Are there growing funds in Metropolitan Toronto? What programs specifically are related to the cleanup of the beaches? I recall that there was some kind of an announcement that there was a direction taken by the ministry on that.

Dr Balsillie: We have been working with the municipality of Metropolitan Toronto and the cities for the last several years with regard to the problem of beach closures. We have done special studies of both the Humber and the Don rivers to determine the sources of faecal material into those rivers and what the impact is on the area beaches and along the waterfront.

As the deputy has said, it is a combination of situations where we have material which is flowing off the streets and the parks, etc. into the storm sewers and into the water, which is going directly into some of those rivers.

We have combined sewers where people have connected up basement toilets to the storm sewers illegally and we are trying to work those backwards to find them out, but it is a very expensive and time-consuming operation.

There is also some discharge from the sewage treatment plant. There are several sewage treatment plants along the waterfronts. When those combine, we have the situation of faecal coliform levels which are too high at the Toronto beaches, and the beaches are closed by the Department of Health.

We are working, as I said, and we do have funds going into these programs from the municipality to Metro Toronto and the cities in order to decombine these interconnected sewers. We are looking at new programs related to urban storm water management and we are looking at whether or not the sewage treatment plants should be expanded in some way or other in order to assist us in this area.

The Chairman: I would imagine if you turned a hose on that street at a fairly high level, you would soon find out which houses are connected to the sewer system. The toilets would back up fairly rapidly.

Mr Dietsch: Is that what you want to do? Could we do your riding first?

Mr Faubert: I have tried to define the jurisdiction of this and who is paying for it. That is one of the problems that I have with this. I have never been able to establish that. Take the Don, for instance, the outfalls that must occur in the watershed at the Don must be literally thousands. Who is doing the study to establish whether they are or are not legitimate, what discharge comes from it, who is polluting? It overlaps a variety of jurisdictions, not only just Metro but also the individual area municipality jurisdictions and it goes up into York.

Is there some combined program presently under way, say, on the Don River?

Dr Balsillie: Yes, there is. It is under the Toronto area watershed management strategy study which has been under way for some time. We have completed the report on Humber and we are studying the implementation of some of the recommendations for cleaning up the Humber.

The report on the Don River is nearing completion, and there are hundreds of storm water influents into the Don River running off the streets. You are correct that it does run all the way up into the northern reaches of Metro and into York. All of those bodies are involved in the Toronto area watershed management strategy studies; so you have the cities, you have the regions, then you have the province, and we are all involved. And the federal----

Mr Faubert: You are funding it at a variety of levels?

Dr Balsillie: That is correct.

Mr Faubert: Okay.

Mr R. F. Johnston: Totally inadequate. It will be quite a while before a triathlon can actually operate out of Toronto.

Mr Faubert: I understand that, Mr Johnston. I understand the problem because I have been trying to get a study on a single branch of the Highland Creek. That has become some great difficulty because there is a cross-jurisdictional problem.

The Chairman: Is it true that you used a backhoe to get your sample from the Humber River?

Mr Faubert: The other relation to MISA and again the funding initiatives of that—under those programs, I think, you set particular standards because you issue control orders against particular industries. In other words, they are allowed to discharge up to certain levels, I would imagine.

There are industries that ignore that at some level. The reason I ask this is because there has been a rather well-known case in Scarborough and in Metropolitan Toronto, BEST Plating Shoppe Ltd. The enforcement of that was left to Metro, not to the province. Where is the enforcement level under these programs? Who takes legal action and who actually in the end pays for that action?

Mr Posen: Using the example, in terms of dischargers into the sewage system, our concern is what comes out of the sewage system, and Metro operates that sewage treatment plant. They are going to be concerned about what comes in, and if they have standards—and they do have standards in their municipal

bylaw to try and control what comes into their plant, because they are being held responsible for what comes out of the plant—it is in their interest to make sure their standards are being met upstream. That is why there are Metro bylaw enforcement officers who are concerned particularly with electroplating companies that have been cavalier in their attitude and totally irresponsible.

Metro has become much more active and increasingly effective in protecting its own interests in terms of its sewage treatment plants by more actively enforcing its own bylaws. That is the model we hope to use in the MISA program. It is the municipality's sewage treatment plant. They are the operator. We will be holding them responsible for what comes out. It is going to be in their interest to ensure that the standards set in our regulation are being followed by industries upstream, because that is what is going to ensure the efficient and effective operation of the sewage treatment plants.

Mr Faubert: You are saying that it lies with the regional and/or local municipality. What happens in the case of a smaller municipality which could in effect have a large industry which may be doing the same thing? Would all those legal costs accrue—I know this was a very expensive operation for a single—

Mr Posen: There are going to be all kinds of anomalous situations, and it may well be, for a small municipality that has a large industry but no ability to enforce, that a group of municipalities in a county are going to have to get together and hire a bylaw enforcement officer who can act on all of their behalfs.

Mr Faubert: And also take the legal action necessary to enforce—

Mr Posen: Once they identify the problem, there will be a good deal of co-operation in following up on the legal situation.

Mr Faubert: It is a difficult cost to put on even some regions.

Mr Posen: I think that increasingly, though, like the province, to the extent that an industry is a potential heavy polluter of a system and has to be carefully watched, one would hope that the charges for use of the sewer system will reflect those costs; which is one model. Obviously, there are others in terms of tax revenue that the government is going to have to look at.

We have put out a paper on options in this area and we have canvassed a number of those options. How the government is going to approach it remains to be seen. But I think it becomes important that all governments are active in this area, and I think it is through the range of possibilities there and the range of concern that we will get the most effective enforcement of it.

The Chairman: We had a supplementary from Mr Adams? Then Mr Dietsch.

Mr Adams: It ties in with exactly the same thing, particularly these storm inputs. In Peterborough, we have a community which has grown up around a very small, shallow lake. First, that lake is controlled by a variety of jurisdictions—it is a bit like the Metro case, but in miniature: the federal jurisdiction, because there is a canal system going through it; the provincial jurisdiction, because of your interests in it; municipal, because the city of Peterborough surrounds it; and municipal including the county and the townships in the catchment area which feed into it.

The irony there to me is that, for example, in the rural areas of that

catchment, almost every summer people pray for rain. If the rain comes, the beaches have to be closed, and we are into this matter of sewer separation, the fact that the storm sewers and the sanitary sewers are linked.

1130

I know it is extraordinarily expensive and would take a long time, but we must have separate storm and sanitary sewers. Is the ministry looking at that kind of thing at the present time?

Mr McIntyre: We have had a policy for quite a long time of not approving any new combined sewers. This is where you have to get down to a specific system: You really have to look at the system and find out which way is going to be the most cost-effective of doing what it is you are talking of, which is just reducing the pollution emanating therefrom without treatment.

In many cases it may be to take a portion of the system that is on combined—I think it was Jim Bishop who spoke about it earlier—and provide treatment for the first flush. It may be the storage while the storm passes through and then putting it back in the system, or it may be system replacement.

There is not a really good answer in a general sense. In some cases there are cities in the province where literally their whole collector system is combined. They would be looking at a massive expenditure to separate. There may be more cost-effective ways of achieving the same ends.

Mr Adams: We have one tiny storm retention pond. I understand that a retention pond has been suggested for the eastern Toronto beaches. That would have to be a very large feature.

Mr McIntyre: They are talking about a concrete underground tank, basically.

Mr Adams: Can you give us some idea how big it is? It would have to be a huge thing. I have seen the tiny one we have on one portion of our system.

Mr McIntyre: This is not for the entire storm sewer system of the eastern beaches; it is only for one on a trial basis to see the effectiveness of it.

Mr Dietsch: I have a supplementary on that point: It makes me very nervous, because of the high cost involved in that kind of project. I am aware that storm water overflow into the sanitary sewer comes from a number of sources. It comes from cracked pipes, it comes from underground water springs, it comes from loose joints, it comes from antiquated systems, a whole host of pressures the sanitary system carries in order to go into the sewage.

There has been a program I am aware of, in terms of storm water separation, for a considerable period in my municipality where we have a lot of ground water springs, etc. The channelling of the storm water has gone away from the sanitary sewer in order to lower the flows and talk about the bypassing aspect so that the system works more adequately.

Having said that, however, the horrendous cost of going back over the system now to establish treatment facilities for storm water concerns me in that I do not know what type of interface there has been with the local municipalities in their long-range planning in this respect. I would like you

to comment on that aspect.

When we focus that back down to the local level, at the local municipality, you talk about a number of things. First, you talk about handling the sewage system: Recognizing that a portion does come through grants and a portion through local improvement charges; recognizing that when you talk about storm water separation, you also talk about the same kind of system; and now if you are talking about treatment on top of that, I worry about the long-range implications that has for smaller municipalities in terms of treating.

Mr McIntyre: I tried to emphasize that without a lot of information I could not be specific; I could only give general answers.

We try not to do anything in isolation. I think that there is a combined study going on now in the Peterborough area to determine what are the sources that are causing the beaches to be closed and what is the most cost-effective way of dealing with those sources in order to achieve a better end, ie, the beaches not being closed or being closed less frequently.

The same thing relatively is true, and perhaps I can elaborate a little more on the sources of extraneous water to a sanitary sewer system. There are several very obvious things that are going in. The peripheral drains of houses, that have traditionally been collected to the sanitary sewer system, cause an immense load when a rainfall occurs. Downspouts from eavestroughs are another horrendous source, so there are some very good ways of reducing it almost instantaneously by getting those sources out.

The second thing, which is a longer way, is what you spoke of as ground water infiltrating into the collection system. That is where our Lifelines program comes in, where we are assisting the municipalities to grout their connections, to fix up their manholes, to get those flows reduced, to a level where what the plant is getting is in fact stuff that has to be treated and not stuff that does not have to be treated.

If we are going to advance in the protection of our waterways, we are going to have to deal with the sources of pollution and the most cost-effective way of getting those sources under control. That is the only logical way to deal with them that I can see.

Mr Dietsch: The reason I wanted to ask the supplementary in that way is that I think it is important that everyone understand, when we are moving in that direction, the kinds of costs we are talking about, not only from a provincial level where you augment through grant programs part of the cost but the ongoing costs to municipalities and then the ongoing costs to the local home owner who, perhaps through smoke testing, has determined that the peripheral drainage from their base goes into the storm drainage or into the sanitary sewer flow, and the smoke testing that indicates the eavestrough flow. Then you get into how close the houses are built together and how much ground is there to absorb the water that comes from those areas. I think it is important from an overall view that the committee, as well as the general public who are particularly interested in this subject, understand the long-range costs that we are talking about.

The Chairman: I think that Mr. Dietsch's question has certainly helped to summarize some of the issues and focus, but that gets us back to the auditor's report. I found it disconcerting, in light of what was promised to the auditor, that Mr McIntyre could not be more specific; in fact, he said he

could not be more specific.

You stated that you have defined the unnecessary, and that is a direction which moves in the direction the auditor asked. At the same time—

Mr Posen: Yes, and I am quite ready to provide—

The Chairman: If I may finish, because I want to remind members exactly of what you promised, and then contrast that to the answers we have just received, and see where we are going.

You said, "The ministry is in the process of ensuring that all bypassing occurrences that can be measured are fully documented and characterized within the utility monitoring information system as to quantity and quality, and that data shall be reflected in the 1988 discharge report."

What I have heard up until now is that you have not done that. Is that correct?

Mr Posen: We can ensure that all occurrences that can be measured are documented and characterized, so we will know the number of bypassing occurrences that take place and we will have a solid sense of the flow of most of those. Our sense is that we will know the quality now.

Now we are coming down to a question of: Are we knowing it because we have been out there and measured it and can provide a detailed measurement, or do we know it because we know what is coming through the system and what is likely to happen at that point?

1140

The Chairman: Mr Dietsch made a very valuable point, though, that we are going to be spending a lot of money to deal with this problem. You said it would be in the 1988 discharge report. Are you saying it will be in the 1989 discharge report, because how do you plan unless you know what in fact is happening? I guess that is the auditor's criticism.

Mr Posen: The last report that has been made public for municipal sewage discharge was the 1987 report. The next one that is due to come out is the 1988 report and we will have bypassing information at that time.

The Chairman: In the 1987 report you stated that only 76 sewage treatment plants reported bypass data. Are you saying that in the 1988 report, when it comes out, we will have a complete picture?

Mr Posen: It will certainly be improved. I am not sure I can say it will be totally complete. I would think that by 1989 we would be sure it would be totally complete. I would be comfortable in saying to you that you will have a very good sense of what the picture is in 1988.

The Chairman: That is reassuring, because I think it leads into a lot of the issues that Mr Dietsch has very wisely pointed out in some of his questioning and it gives us some focus of where we may want to go with our report as well when we are dealing with this tomorrow.

Mr Bishop: We appreciate that, mainly because we recognize that unless we have a clear idea of what the problem is, it is very difficult to prioritize how you spend the money on the problem.

Regarding bypass reporting, I think it was a very good observation from the auditor. It is one I feel we acted on a little proactively in that we discussed it in the 1987 discharge report. I recognize that it is pretty poor that you only had 71 plants out of a total of 250 mechanical plants that should have been reporting. We are not there yet. We have so far got, for this year's report, about 132 to maybe 135 plants reporting bypasses. However, that represents above 54 per cent instead of previously in the 30 per cent area, and as the deputy points out, we are hopeful that for the 1989 report, bearing in mind that that will be one of the last such reports prior to the MISA coming on board, it should be up in the 70 to 80 per cent complete reporting range.

What it is showing is that there is good news and bad news, as there is with any kind of report on the environment. I guess the good news is that most of those that are reporting indicate that they did not have a bypass. That is more due to the weather than to good planning.

The Chairman: I appreciate the honesty of your answer. I think that information is of value to the committee.

Mr Dietsch: Mr Chairman, for a clarification point, I think it is important that we point out, too, that many of the municipalities do have some fairly good documentation with respect to the amounts of extraneous flows that are going through bypass. That basically is by determining the amounts of flow that go through pumping stations.

I can appreciate the difficulty from the ministry's point of view, in that you do not know how much water falls out of the sky, and you do not know how much drains off into the ground, and how much through hard surface drains off into the sewer system. I can appreciate what the ministry is saying in trying to get a handle on it.

In my municipality I know they have fairly good documentation on bypass. I am a little uncertain as to whether it is determined to be unnecessary bypass or necessary bypass. Perhaps this afternoon we can have some clarification of that, but I think we have to understand the overall system, too. I do not know whether the auditor, with all due respect, has a grasp on that either. I would be interested in hearing his comments, of course.

Mr Adams: Weather is a federal responsibility, it seems to me.

Mr Dietsch: Only when the sun shines in Ontario is it an environmental situation provincially and I understand that bad weather is federal, but I stand to be corrected.

Mr Teixeira: Mr Chairman, I will attempt to respond. There are situations where you cannot measure these overflows and infiltration, etc, but there are also other situations where they can be measured. We are saying that for those that can be measured, more data should be collected to understand what is going on. This would form part of the overall planning considerations that you got into.

Mr Dietsch: I guess, with all due respect, I found it difficult to draw from your report the determination between the two: where it is difficult and where it is not.

Mr Teixeira: Yes. I agree with you and that is the reason why we asked for clarification on necessary and unnecessary bypassing. I believe the

ministry did undertake in its response to define the terms.

The Chairman: They said they will be supplying that to us.

Mr Villeneuve has been patiently waiting and he is going to be patient for another second because I want to consult with the committee on a point in terms of planning.

Because of the technicality of a lot of the hearings we have had so far, I think our researcher needs tomorrow to put together some Hansards and some testimony and so forth. Therefore, I am proposing to the committee that we not sit tomorrow morning, which will allow Ray some time to put some things together, and instead that we sit in camera tomorrow afternoon. Does that meet with the pleasure of the committee? Tomorrow was to deal with the report, but if we do not have all of our data together, then we are wasting time. I think we could be more productive if we sat tomorrow afternoon with more information in front of us.

Miss Nicholas: Can we start at one?

The Chairman: Would you like to start at one o'clock tomorrow afternoon?

Mr Dietsch: I will raise one question before we make that determination, Mr Chairman. I guess if Ray is putting these data together, he does not have an opportunity to give us a briefing on the visit for next week. Is that a fact or not?

The Chairman: Some of the information is in and Ray and I are going to sit down tomorrow morning and go through as much stuff as we can and see if between the two of us and Tannis we can get something together. Can we play that by ear? We are going to try our best. We are not sitting Friday morning. That is definite. We are going to do whatever we can. We just cannot get stuff together for tomorrow morning, so we are asking that we not sit tomorrow morning. Okay?

Following up on Cindy's suggestion, shall we sit at one o'clock? Ray, what is your feeling on that? We will sit at one o'clock, and if we sit from one until four, hopefully we will try to do as much as is necessary. Okay?

Mr Villeneuve, thank you for your patience and the floor is all yours. When we come back at two o'clock, if you need additional time, the floor is all yours at two o'clock as well.

Mr Villeneuve: It is primarily revolving around MISA. On the industrial side of waste abatement, did I hear you mention food processing plants on the list that you gave us a while ago: ie, meat packers, dairy processors, fruit and vegetable processors?

Dr Balsillie: No. They are not listed as primary people who are putting their material in large amounts directly into the waterways. Some of them are caught as secondary dischargers into the sewer system and they will be picked up. Where there is a direct discharge into the waterways, we would pick those up under normal abatement programs. The other thing is that we are looking at toxic waste mainly in the MISA program and the amounts of toxics that come from food processing plants are limited. If not, there should not be any unless they are adding something, but in food processing we would hope they would not be involved with toxic chemicals since the end product is for

consumption by humans. So all of those considerations would lead them to be handled in a way other than through MISA.

1150

Mr Villeneuve: So we will see very little change to what has already been happening in the food processing industry?

Dr Balsillie: No, not necessarily. Where we have a problem with the food processing situation—where we have had one in the past, and there are a number of them where we have moved in with operations staff—we have looked at the problem and have worked with the company to achieve abatement where necessary. We have applied a control order and where there has been lack of compliance we have applied enforcement. That will continue.

Mr Villeneuve: So it is basically a continuation of what has already been. So MISA will affect very little the food processors per se?

Dr Balsillie: That is correct.

Mr Villeneuve: It will affect the municipal people quite extensively. There is a great deal of concern out there.

First of all, do you foresee some of the municipal sewage processing plants coming to a premature end if MISA were not put into place?

Dr Balsillie: Do you mean, where we would take them out of service?

Mr Villeneuve: Where, because of more stringent regulations through MISA, some of these sewage processing plants would be obsolete, possibly prior to when municipalities are anticipating they would be.

Dr Balsillie: I do not necessarily see that. Where there are requirements for upgrades, they will be identified as part of the MISA program, and then there would have to be upgrades to them if they did not have the capacity or whatever. Sewage treatment plants are essentially put in place to treat domestic sewage that is put into the sewer system. That is not going to disappear. So there is going to be a requirement for a sewage treatment plant to be there.

In addition to that, if there are industries placed upstream that are discharging into that sewer and there is a requirement either for an upgrade of the sewer or for abatement at the industry, then that would be the result of the MISA program rather than the obsolescence of the plant.

Mr Posen: It seems the choice for anyone designing this program is to let anything come down the sewer system from any industry and rely on that sewage treatment plant to be able to treat it. I do not think the technology exists for that kind of sophisticated treatment for a whole variety of toxic chemicals, plus domestic sewage that can come through the system. The aim of the program is to reduce the number of toxic chemicals that come into the plant and which complicate the operation of the plant. Our hope is that the success of MISA should extend the life of those plants and not give them a premature basis. The interest of the municipality is in our success in setting tough limits upstream to reduce the number of toxics flowing into the sewer system.

Mr Villeneuve: You mentioned a while ago that of the 800—some

municipalities throughout Ontario, many are small rural municipalities and they are facing some abatement problems now. From what I gather, you mentioned they will then be responsible for having abatement staff to oversee at their expense what is happening within their jurisdiction.

Dr Balsillie: There are a number of options that we have put forward and have had out in a discussion document, to which we have received comments back, and of course the municipalities have been some of our major contributors in terms of comments as to how they are going to be involved in the management of this particular program. One of the options, and I have to stress that it is one we are considering, is that the municipality would be responsible for the monitoring of the industries that discharge into its sewers.

As has been pointed out earlier, if it is a very small municipality and it has a number of industries—which do not necessarily go together, because if you have a number of industries, you have a larger municipality—and the smaller municipality cannot afford whatever, then they could go together because, obviously, we could have a larger government block working together either on a county or district basis or whatever in order to implement the program. These things are all being discussed now with the Association of Municipalities of Ontario and municipal engineers—how we could best implement the program to achieve what we want to achieve.

Everybody wants to achieve cleanup of the waterways. It is going to cost everybody sooner or later. We are looking at the industry that is putting the material into the sewer and saying that it should be the primary target for paying because it should be the one to take it out of its waste stream so it does not get into the sewer; if you put material into the sewer, getting it back out is very difficult, complex and costly. If you take it out, there is always the possibility of that waste becoming a raw material for somebody else, so that it becomes a saleable material and the industry ultimately saves money. The municipality then would be responsible to make sure that waste system is in place and indeed the industry should report to the municipality on the emissions of the material into the sewer system. Then the question that we are also interested in is, what is coming into the sewage treatment plant and what is coming out?

There is going to be a large role for the municipality in terms of monitoring, or having industry monitor, what is coming into its sewage treatment plant and what is coming out of it. I think all of these areas are going to require an input by the municipality or a larger group of municipalities in order to make sure that this happens, so that down the way we do have clean lakes and rivers in this province.

Mr Villeneuve: Financially speaking, the cost will be borne by municipalities and, I presume, by the ministry as well as this program becomes phased in. I presume it will be phased in. Municipalities are very concerned about the additional cost and responsibilities they will be subjected to. What sort of financial arrangements are you preparing for the initial stages here and what can the municipalities expect as financial support from the ministry?

Dr Balsillie: As I have stated before, we are cognizant of the fact that there is a large cost involved on the industrial side and we have expected the industries to eat up that cost. In this case there is a cost to municipalities. We are looking at what options there are in terms of cost-sharing between the provincial and municipal governments, at how much grant money we already have in terms of upgrades for sewage treatment plants

and at the amount of time it will take to achieve the kind of abatement that we want to achieve as well. If you want to spread out the cost over a greater time, then you do not achieve abatement as quickly.

There is a range of options we are looking at and discussing with the municipalities to see whether or not they are feasible, and to make sure that it can all be done. We are looking at whether we should do demonstration projects with selected municipalities and at a number of different ways of making this all happen, but we have to be assured that it is going to happen and that the dollars, either from the municipality or the provincial government, are available.

Mr Villeneuve: You are planning some additional funding oriented towards that area. The ministry is quite satisfied that—again, I guess we get back to local option—it will be more efficient than is the case right now with the ministry's doing it.

Dr Balsillie: The difficulty right now is that there are not enough municipalities doing it, and the ministry is not necessarily doing the checking of the material which is going into the sewer.

Mr Villeneuve: Which was reported by the auditor.

Dr Balsillie: We are checking the sewage treatment plants. We are convinced that the program in the end will have considerable benefits to the waterways of Ontario, which means that there will be benefits back to the municipality involved because people will have clean water in which to swim, water to drink and water to boat in, etc. That is where we are headed.

Mr Villeneuve: There is considerable resistance by municipal people right now to that.

The Chairman: Mr Villeneuve, I am putting you on the top of the list and we will recommence our questioning at two o'clock.

The committee recessed at 1200.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

SKYDOME

MONDAY 11 SEPTEMBER 1989

Morning Sitting



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Witness:

From the Stadium Corp of Ontario Ltd:

Magwood, Charles, Past President

Davis, Hon William G., Former Premier of Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday, September 11, 1989

The committee met in camera at 1000 in committee room 2.

1110

SKYDOME

The Chairman: We have listed as our witnesses today Charles Magwood, whom I see, past president of the Stadium Corp of Ontario Ltd, and Richard Peddie, who is the president. We also have Martin Connell, chairman, who may be called from time to time, and Bill Davis. I assume that he may be called at the request of our guests.

This is part of an ongoing inquiry into the Stadium Corp of Ontario. The Stadium Corp of Ontario officials, specifically Charles Magwood, the then president and chief executive officer, and Jamie MacArthur, vice-president of finance, last appeared before the committee on 24 November 1988.

At that meeting, members pursued various interests, including cost increases, updated financing arrangements, operational issues such as transportation and parking, the cost to consumers of products and services, agreements with consortium members, ownership and control of the project, profit- and loss-sharing arrangements and sponsor benefits. The committee recommended that it would continue to review the developments up to and after the opening in 1989 and reserved the option to recall the stadium corporation and other parties involved.

The committee has continued to follow the events leading up to the opening of the SkyDome earlier this year. Today, the committee would like to follow up on some of the issues that we discussed in November 1988 and to touch upon some new material. The members have received some detailed background materials, which include a comprehensive package supplied by SkyDome, a copy of the audited financial statements prepared by Clarkson Gordon dated 31 December 1988, and a comprehensive analysis of selected stadium and convention centre financings in the US prepared by Morgan Stanley and Co.

The committee has varied concerns today, which may include a variety of topics, such as project ownership, provincial role, provincial contribution, ownership, the selection of SkyDome firms, the loan guarantee and the cost increases, membership and deficiency payments, exclusive advertising rights, preferred suppliers' rights of products, consumer protection for products sold within the confines of the Dome, management control and efficiency, urban impact and transportation and the cost of infrastructure, expenditures and revenues, the SkyBoxes, the SkyDome image and any other question which, Mr Davis knows, might occur in any kind of committee hearings.

In closing, I guess I want to re-emphasize that the committee views this review as ongoing. It is not necessarily a final review. The committee may, if it so desires, recall after the SkyDome has completed its first year of operations.

I wonder if our guests have any opening statements or additional

comments that they would like to provide to the committee. Then I can open it up for questioning.

Mr Magwood: Mr Chairman, I do not have a prepared opening, but perhaps just a few thoughts, and I am not sure how far you would like me to go with this.

Present with me on my left, as you mentioned, is Jamie MacArthur, who is vice-president of finance for the Stadium Corporation of Ontario Ltd. Also present behind me are John Kravis, who is treasurer of the stadium corporation, and Roger Floyd, who is the president of RPA and project manager for the stadium corporation. These individuals are the three biggest people and the meanest and toughest guys I know. So I brought them along in case any support is required.

In addition, as you mentioned, both Martin Connell and Bill Davis are present by way of backup support. If anything can be added, perhaps they could be called upon.

In addition, Richard Peddie, who is the new chief executive officer of the stadium corporation, is not present right now. He is on call. We are saving him. Given that this morning I believe there is only one hour available before the session this afternoon, if and when you require him, perhaps you could advise a little later on when you think that is necessary. He can be here on very short notice. Since most of what we are talking about is really history and leading up to this point, Richard is not completely up to speed on everything at this point. In fact, he is still looking for his office.

Just by way of background, and some of this you have already alluded to, we have been here before this committee on five or six separate occasions, I believe. I have been here four times. One was in the fall of 1985 and two in the early spring of 1986. At that point in time the subject of discussion was the competition, the proponents who were competing to build the new facility. We were comparing the various proposals from a financial and a design point of view. We had our various technical people who came forward to review the proposals. The final decision was made I believe in March or April 1986. At that point a contract was entered into with Ellis-Don Ltd and its design-build team.

We did not come back here until the end of November 1988. At that time, as you mentioned, a number of things were covered. Probably some of these things you would like to update and perhaps go through again. Once again, as you have mentioned, at that point we covered the subject of what got us to the then current capital cost, which I believe was at \$427 million. At the time that we left you in March 1986, the capital cost of the project was at \$225 million.

What I took the committee through at that time, as I recall it, was exactly how we got from point A to point B. I mentioned then that some 600,000 square feet of commercially viable real estate, if you like, was added to the project. This included the health club, the sports entertainment area, the hotel and a number of food and beverage facilities, all of which had some commercial aspect to them. We basically went through a buildup from \$225 million to \$427 million, explaining how that increase got to where it was.

There was also reference at that time, when we met, to a fairly lengthy labour strike, which amounted to eight weeks I believe, and had an impact of some 17 weeks on the construction of the project. When we awarded the contract

back in the spring of 1986, what originally was slated as an opening in early April 1989 in fact at that point was announced to be 3 June. We also discussed the costs of attempting to make it to that particular date, given the disruption in our timetable because of the strikes.

We looked at receipts and at the growth in terms of the number of consortium members who had come on stream and the various schemes that we had looked at to raise capital from various sources; that included SkyBoxes and the SkyClub area. We had at that point in time 25 consortium members plus three breweries. From this committee there was an early questioning as to why there was only one brewery at the beginning. If you recall, we only had Labatt's back in the spring 1986. It was subsequent to that that discussions were entered into and arrangements finalized with both Molson's and Carling-O'Keefe, so when we met in November we had three breweries on side.

So at that point in time we had 28 \$5-million contributors, of which 25 were equity participants by way of their ownership interest and the other three nonequity participants, but for the same contribution of \$5 million.

We spent some time on the SkyBox program and where sales were at that point in time. We had sold 147 of the 161 SkyBoxes. At this point in time basically all of the SkyBoxes are sold or spoken for, either through use with the hotel for various group sale purposes or through sale. Perhaps we will get into that in more detail, but things have progressed since then on that point.

1120

We also discussed the club seat arrangements. We looked at operating revenues and paybacks in terms of debt. We discussed in some detail the cash deficiency arrangement and how it works in the event that there is a deficiency between the moneys required in any given year and the revenues that are generated from the project, exactly how the contract works and where the obligations fall.

There were a number of other things that we looked at, and you will probably want to go into some of that again. Once again, we spent some time with transportation. At that point, the project not being open, I think there was a very real concern and a legitimate concern that the project may not work well, that the plans and the analysis that have been done were really nothing more than that.

Whether or not they would work and whether there were some steps from this group that could be inspired back to us to take to ensure the project would work better was another thing we walked away from here with, and I think there was a real effort in the last few months to put together a plan that would work to ensure that people could come and go from the facility properly.

There was a fairly detailed discussion, and it came up at several different points in time, concerning the benefits that flow to the consortium members in consideration for the \$5-million investment. I think we went through and itemized what those various items were, and perhaps I take it from your introduction, Mr Chairman, that that is something you would like to visit in a little more detail today, which is fine. We also talked about the management structure and so on.

Two weeks ago, we appeared before the standing committee on government agencies. At that point in time the focus was perhaps a little different than with this group. Basically I think that committee was focusing mainly on the

reporting mechanisms and the ways in which this corporation, as a schedule 2 crown corporation, operated in terms of its relationship to its own board of directors, from management to its own board of directors, and in turn back through to the Treasurer.

As you may recall, there were two corporations that were originally set up, one being the Stadium Corp of Ontario Ltd, originally known as the Ontario Sports Stadium Corp. That was set up as a corporation under the Business Corporations Act in 1984, and it is now known as the Stadium Corp of Ontario Ltd. That name was established in August 1984. We call that corporation 1.

There is a second corporation that was established at the same time, which we called corporation 2, known as just Stadium Corp, and at that point it was envisioned that the relationship between the public and private sector would find itself in a corporation and therefore that could well become the vehicle which would not only be developing but operating the facility on a long-term basis.

As you are aware, that arrangement has changed and now corporation 1, Stadium Corp of Ontario, has been the developer and builder of SkyDome and a partnership is now about to take place—the legal mechanics for all of that are now well into gear and this should be taking place in the next few months at least—and that partnership, rather than a corporation, is the one that will have the ongoing ownership and operating responsibility for SkyDome. The partnership is one that embodies both the Stadium Corp of Ontario, as a crown agency, and the consortium, if you like, which is Dome Consortium Investments Inc, an Ontario corporation which is owned, in terms of its shares, by the various consortium members who have each made \$5-million contributions to it.

The relationship through the piece while the project is being built has been that there has been a loan arrangement from that company of the consortium to the stadium corporation that owns and builds it. These are interest-free loans which will be repaid on the forming of the partnership and in turn all moneys folded back into the partnership. That is a fairly complex tax and legal arrangement, but that is basically the way it has worked.

At the standing committee on government agencies, we reviewed those various relationships. I think there was a very real interest in that group as to the funding that came from the province. We spent some time on discussing the \$30-million grant that came out of Lottario funds to the stadium corporation. We talked about the way interest would accrue on that. There was discussion as to the build-loan arrangement between the province and the stadium corporation. You may wish to focus on that as well.

In particular we discussed the way in which the representatives from the Treasury have been involved in the decision-making process. In other words, this has not been a vacuum we have lived within. Representatives from the Treasury have participated in our board meetings. We have had some 53 board of directors' meetings since the project was initiated. We have had 20 board meetings in the last two years. We have a joint finance committee, which is a finance committee made up of representatives of the stadium, as well as from the consortium, on which representatives from the Treasury have been present.

We have had 15 meetings in the last 19 months of that particular group. I think that is important in the sense that, as the project grew in terms of its capital cost, there was a careful scrutiny of that as it grew over time, with input from all the various parties that were involved.

There was also a process where, as each announcement was made in terms

of the capital cost of the project, that it had the input, review and approval of that joint finance committee, of our own board of directors and from the Treasurer (Mr R. F. Nixon) himself, so that there was a written confirmation that would come back from the Treasury of the province, having reviewed all the background material behind cost, and that would find itself in the form of a written approval and acknowledgement that would come back to the stadium corporation. So, for example, the number of \$532 million, which is the current figure, is one which was approved by our own board of directors on 13 July 1989 and was approved by the Treasurer on 8 August. That was a session where we covered basically all of those various items.

I will give a brief update in another direction, as to how we are doing so far in the stadium: The project opened exactly three months ago and the summary of results as of 3 September, which was the third-month anniversary of the opening of the project, is one that is very favourable. I think what we are doing and what we must do is monitor very carefully what is actually happening and compare that to the budgets and the expectations we have had in terms of the generation of all the numbers that back up the support system, that take care of the very significant debt this project must carry.

For our first three months of operation we have had a very busy facility. The Blue Jays have attracted, to this point, about 2.2 million people, which is significantly more than we forecast. It is almost 30 per cent over the numbers that we are carrying in our base assumptions, in terms of the support of the cash flow generated from SkyDome.

No one would pretend that situation will continue for ever. It will certainly continue out to the end of this year, and so we are going to see a very tidy completion of this year as far as the Blue Jays season is concerned, and that is good start. What is going to happen next year and the year after is another question. We are continuing to carry, in our projections, a flat line of 38,260 per game, that is the expectation, out over 10 years and no increase, and that is a fix in terms of where it sits.

Mr Ballinger: Everything will be okay as long as Harold Ballard does not get his hands on it.

Hon Mr Davis: I always thought you had an open mind, Mr Ballinger.

Mr Magwood: The Blue Jays have played 45 games so far in SkyDome as of 3 Sept. The Toronto Argonauts have played six games and we have forecast for them 35,000 per game. At this point, with the game last night, they are averaging about 34,000 per game, so we are just a little under the expectation we had with respect to that particular attraction.

We have had some concerts, as you may know, Les Misérables, Rod Stewart, the Legends of Rock and Roll. They have been a little in excess of what we anticipated. We have had a motocross event for two nights and there are a number of other concerts and other events that have been already announced with respect to the next couple of months.

Putting all that together, combining the revenues from tickets and our share of that, in all those situations the rental arrangement is one where we participate in the gross. It is a function of a percentage of gross and that percentage varies, depending on the activity. By putting together those rental expectations, together with the food and beverage that flows our way, our percentage in terms of food and beverage expenditures within the facility, souvenirs and other really event-related and event-driven revenues, we are

well over the expectations we had at this particular time. It has not really inspired us to change anything in terms of the projections. We are going to keep everything exactly where it sits, so we are off to a fairly good start as far as the facility is concerned.

On 13 July there was a board meeting of the board of directors of the stadium corporation. At that time we held a news conference and Martin Connell, as chairman, advised the media then of the current cost increase situation and, at that point, announced that the estimates for the project were \$532.2 million. He advised also that there would be no need to look to the province for any additional funds, nor to Metropolitan Toronto, nor to the private consortium members.

1130

At the same time at that meeting there were two additional consortium members that were announced, one being the Crupi family and another being Mr Muzzo, who at that point in time had shared a \$5-million unit with Mr De Gasperis. They had now split up their interest so that each one of their families each owns one \$5-million interest.

It was also indicated at that point that long-term financing had been entered into with the Canadian Imperial Bank of Commerce to cover off the expected cash requirements by way of loans, to cover the difference between cash receipts in hand, which is really equity that came from various sources, and the ultimate expected cost of the project. At that point, we had indicated that capital receipts in hand were something like \$270 million, that it was expected they would rise to something like \$295 million, and that the amount to be borrowed from CIBC was by virtue of a \$250-million term arrangement with the bank which should be more than sufficient to cover off the expected shortfall of \$237 million.

It was also indicated that in keeping with the previous practice with respect to the scoreboard and advertising, we had continued to operate with the bank on a self-financing arrangement and that a bank arrangement in the order of \$30 million had been entered into with CIBC to cover off the cost of those various elements.

There had been expended as of July some \$423 million, so \$423 million of the \$532 million had been spent; therefore, in terms of the security and comfort the board had with respect to its estimates, we were well down the road. At this point in time there has been more in the order of \$460 million spent.

Now, with the hotel left to open—its first phase opens on 12 October and the balance opens 24 November—with the health club yet to open, which happens early in the spring of next year, with the SkyPlace area, which we can explain to you later, opening at the end of October, all but those various elements of the project are now open for business.

I know one element of focus will be, and your information hopefully will help explain this: How did we get to the number today of \$532 million, and how do we line that up behind where we were when we met with you at the end of November? Without going into that in real detail in this introduction, because we will be doing that, I assume, let me just offer some general thoughts to put that in perspective.

The cost increases basically have come from two major sources. One of

them comes from the upgrading of the facility. In other words, these are specific things that have happened to make the SkyDome a slightly different animal and hopefully a better animal than it was when we met in November. That makes up about 50 per cent of the increase; perhaps a little less than that, 40 per cent to 45 per cent. The balance of it comes from what I call market conditions. These are various things where we simply have to live in a marketplace and have to pay what is necessary to pay to deliver. Most of those costs relate to labour and payments that have been made to the working trades that have brought the project forward.

In general terms, then, with respect to the better project, the increased project scope, the changes, some of those have been inspired by the stadium corporation and some of those have been inspired by third parties, things we could do nothing about.

Those that have been inspired by the stadium corporation in part relate to commercial interests and in part relate to noncommercial interests. Just to explain that, the commercially inspired decisions by the stadium corporation will include such things as the creation and upgrading of a theatre within the stadium, the creation of a film that will be part of the tour experience, decisions that relate to upgrading the finishes of the interiors, the creation within the SkyPlace area of a retail opportunity.

When we met last November, what we were doing was delivering a basic shell, simply a concrete box of 35,000 square feet in the northeast corner of the project. Since that time, we have breathed life into it and gone in business, creating this theatre and creating the finishing for a retail concept. That retail concept will be undertaken by an operator rather than by a third-party tenant who is making expenditures. That is one example.

Another is with respect to the health club. When we met last November, the expectation was that we would deliver a concrete box to a health club operator who, pursuant to a lease, would finish out the box and would make the expenditures necessary to make this into an operating facility, including the equipment, all the finishing, air-conditioning, basic mechanical systems and the finishing out of the space.

Since last November, intentionally and for commercial reasons, the decision was made to not do that, but rather, because we could not find an operator who was prepared to make that kind of investment and make that type of commitment to the project, the decision was made by the board of directors and by the stadium corporation to finish out the health club, and on the basis of the finished product, entertain an arrangement with a pure operator and at that point sell the memberships; and in addition to bring the health club forward so that it would open at the same time in its first phase as the hotel.

So the hotel and most of the health club now will be marketed as a package. It is more of a spa and fitness combination in terms of the marketing and positioning from a market point of view of the hotel. That was a very deliberate decision and had a significant effect in terms of the capital costs and investments within the project.

Another one is within the hotel itself. Since last November, a number of areas have been added and upgraded within the hotel; all, once again, for a commercial reason: to improve hopefully the average room rates and improve the occupancy within the hotel. So we have added within the hotel some 14,000 square feet of meeting rooms that hitherto were not there. We have added and upgraded a 6,500-square-foot dining facility, which is like the Imperial Room

for the Royal York Hotel. It will be a room in great demand; already the bookings are going well into 1991 for this particular facility.

That is a hotel expenditure in that those items—I am just naming a couple of them—had some effect on the overall cost of the hotel. As we go through it on a line-by-line basis, I know you will see that a significant amount of the increase relates to the hotel itself. I am just relating a couple of the particular items.

Those were some of the things which I would say make up about 50 per cent of the increase or something less than that, that really were deliberate decisions by the stadium corporation to increase and improve the commercial viability of the project.

There are a number of other things that were done that did not have necessarily a commercial element to them, but had an importance in the view of those who were making the decisions to make the facility a better one.

For example, the number of washroom fixtures has increased dramatically, and that is something that was really done at the end, after further study and concern, and that had an impact. We improved also, within the public areas that would be used by people, the finishes on the floor, the signage requirements, the lighting on the exterior of the building, the landscaping elements that are within the building; within the SkyPlace area, which I mentioned before, a sense of finding an address for the project. What became apparent at the end was that it was a heck of a long way to walk around the building, almost half a mile, and not know where the front door is. A good deal of the investment we are making in SkyPlace, the area that adjoins the CN Tower, which is not yet open—it does not open until the end of October—is to provide an address, a front door, to what is really a very large expanse for the building.

So those various decisions did not necessarily have a commercial return attached to them, but they were made in the interests of making the project a better one.

There were certain other costs that I think relate to making the project a better one, which we will get to in detail, that are offsite, outside the building. These were things that were really put upon us by third parties, particularly the government agencies and the city of Toronto.

We have built temporary stairs at Simcoe Street, which is to provide easy access to people from Union Station. Those stairs cost \$650,000. Within Union Station, we have put signage, we have painted, we have put up lights. We spent a good deal of money that originally was not in the old expenditure, really all in the interest of providing better access and facility. That was expensive for us.

At 277 Front Street, which is really the entrance off Front Street coming south across the John Street bridge, we have built a park and stairs, so that we could separate the traffic between the stadium and Front Street. Those stairs were \$500,000.

1140

Exterior signage, a bus parking facility to provide an easy home for parking for buses close to the stadium—there was a basic provision for that. The city had required us to provide that and to pave it, provide additional lighting, etc, and the upgrade in terms of the cost of that was over \$500,000.

Public art is way in excess of what was originally provided for here, and in part that is a function of a percentage of the overall cost of the project and in part based on negotiations with the city. We have spent some \$1.7 million on public art that we had not contemplated spending last November.

Those are just some of the items that came from third parties that we had to do and definitely should have done. In retrospect, looking at most of those decisions, I think they were the right thing to do, but they were budget increases.

Interest rates increased three percentage points in the last 12 months. They went from 10.7 per cent to 13.5 per cent. That had a significant increase on the borrowing costs to the project. We could not control it. Could we have forecast it? No, we have always carried basically the then current interest expenses within our assumptions.

Provincial sales tax went up a percentage point from seven to eight per cent. That is another one; that is third party. Given the volume and the size of the project, that had a significant effect on us.

Mr Ballinger: I thought you were doing very well till you got to that.

Mr Magwood: Everyone has to share in this thing, now.

The first category is project scope: different. The second category would relate to these third-party items over which we had control. As well in that category are market conditions. That affects material and labour costs.

In terms of material, out there in the marketplace we have a construction cost index that has gone up, depending on the sector, between 9 and 21 per cent. Unfortunately, we got stung between when we did our estimates in August—and it was the August estimates that we brought forward to you in November—which is a year ago, and the completion of the project, with a dramatic increase in the construction cost index in the very sectors that we had to rely upon to finish the project.

For example, in the city of Toronto, the finishes index went from 100 to 116. The site work, which is the work that is around the project, the finishing of it, went from 100 to 120. Those are 20 per cent increases. It really depends on what area you look at, but unfortunately, where we had a lot of dollars left to spend—when we were here last November we had spent, I believe, in the order of \$220 million with a lot left to go, and what was left to go was a lot of the variable portion.

In other words, it was not within that fixed firm-price contract that we had for a base stadium that spoke back to the spring of 1986. Within the dollars that were left to be spent, which were the dollars that had some risk attached to them, we suffered, as did everyone else who has had to work within this city, from a construction cost increase that was a very significant one in those particular areas.

Mr Adams: Could I interrupt? These indexes include labour, materials and so on, worked up in some fashion?

Mr Magwood: Yes, that is correct. It is the type of thing that gets published on an annual basis. It can be tracked on a city-by-city basis, and it can be tracked the other way on the grid, on a component-by-component basis, whether you are splitting masonry, concrete, etc.

Mr Adams: You mentioned that that is just one example. You pull out—

Mr Magwood: I basically selected certain elements of those indices that we had to work within, given the point in time we are at with about nine months left to go.

Mr Adams: That is fine.

Mr Magwood: We can get back and visit some of this further, if you like. I am pleased to do that.

That makes up about half of the market condition increase in general terms. If we are looking at a 12 per cent, for example, across-the-board increase on \$200 million of work, that amounts to \$24 or \$25 million, so about half of it comes from that. In turn, that streams itself back through into all the various components we have in terms of the budget breakouts which you got.

The other element which makes up about half of it is overtime in extra dollars we put into keeping the men on the job and keeping them on this job. The numbers of people that we came to as we approached the last few months increased dramatically. We were at something like 600 people with 11 months left to go. That increased to about 1,500 people with three months left to go, and we had over 2,000 people working on the project on 3 June.

We had a tremendous number of people. Generally out there people who have been trying to build things in this city know there is a scarcity of trades and particularly a scarcity of the skilled trades, and those are the very people that we had to rely on to finish. So there was about \$25 million in general numbers that related to overtime or labour to get us to where we wanted to be.

Now, about \$15 million of the \$25 million was spent in the last three months, and that broke itself up into about three different areas. One related to the stadium itself which was just in excess of \$9 million, which was a particular contract that we worked out with Ellis-Don to ensure that we could make the 3 June opening.

Mainly that related to mechanical and electrical and to the roof. Some of it related to interior work, the finishing, the painting, the carpeting, the detail work. There was a good deal of overtime that related to those particular trades and there was another component of overtime that related to offsite—outside the building things that required to be accelerated to make the particular date that we were attempting to make, which were things for roads and services and so on.

Those three areas made up what we call—and it is only a handy reference point; I cannot back it up with a whole lot of detail—the about \$15 million that 3 June cost us. In addition, there was overtime in advance of that, which would be the late fall of 1988, of about another \$10 million. In ballpark numbers, half of this increase from our August 1988 estimates came from increased project scope and half of it came from market. Market were things that were really dictated from third parties, except that there was a certain cost to us of attempting to make the 3 June opening, and that was offset by revenues and other things.

The Chairman: I wonder if you projected in any way, and it may be too early to do this, the increase in revenue as a result of your increased market expenditures. In other words, the additional facilities which you have

put in will supposedly increase your revenue, and I wonder if you have done any projections. Obviously, the hotel is not completed yet, but you must have some estimates of the increased revenue you are going to get from these additional capital expenditures.

Mr Magwood: Yes. Would you like me to address that now?

Mr Ballinger: On a point of order, Mr Chairman: We have 12 minutes left. I do not know how the afternoon is going to unfold but, with the greatest respect, I hope that if we are going to open it up to questions, we can all participate.

The Chairman: I have a list, and so far Mr Cousens is the first person on my list. I just thought that it was relevant when you are dealing with that one topic to contrast the two.

Mr Magwood: Mr Chairman, it is up to you, but that is a subject I could spend some time on by way of a question. What I am doing is just basically shooting my mouth off for a little while, using up your hour.

The Chairman: You have 11 minutes to continue.

Mr Magwood: All right. The information that you have that will go through is a variance report, as I understand it, that breaks down in a much more specific way, as we have tried to do it, the way in which these various increases are allotted. That we can go through and that is really lined up on the basis of the subject of what relates to project scope and what relates to market conditions.

What you also have in the material that was given to you is a breakdown of the cost of the project today against where it was at \$527 million. That approaches it from a slightly different way in that it lines up the increases by physical component; for example the hotel, the sports entertainment area, excluded items, upgrades and so on with respect to the facility. That is another approach that you might like to take in terms of justifying and analysing where the various increases have actually gone. That we can do.

1150

The material that you have also indicates, with respect to the receipts, I think in a summary fashion, where the money is going to come from to pay for this. We have indicated on there the various sources of revenue and, as I mentioned, something like \$295 million in receipts and against that a bank financing arrangement that has been set up. We now have with the Canadian Imperial Bank of Commerce, the bank loan setup to cover that deficiency of some \$250 million.

It is styled differently from what is in the material and an explanation probably will be required for that as well because what you see in your material is a line of credit, a term loan with the CIBC for \$266 million. That is really a combination of both the scoreboard package as well as the stadium package.

The numbers at the end of it, on another summary sheet which you have which we can go through, is a cash flow analysis. What that shows is that for this project we will be enjoying something in the order of \$55 million in gross receipts in the year 1990. Against that we have expenses, which is the running of the facility, of something like \$20 million. A certain amount of

those expenses is charged back to the various tenants and users of the facility, so we have something in the order of \$36.5 million in cash in the first year which grows out over time, which is available to service the debt.

The cash flow summary page that you have will show how those dollars are used in terms of the repayment of the interest on the loan, the cash that is available then to pay down the principal on the loan, the amounts that are available for distribution to the three major shareholders that are here, which are the Stadium Corp of Ontario Ltd, Dome Consortium Investments Inc and a public share issue, which hopefully will be undertaken next spring.

The end of all that shows that the paydown on the debt with the bank is forecast at this point to be completed by year 15. So we have worked out a 15-year arrangement with the CIBC whereby all available cash is paid to it and in the tenth year we commence a five-year mandatory prepayment of the then-current principal outstanding, payable in equal amounts over a five-year period. That is, if you like, a financial synopsis.

The Chairman: Thank you. Do members wish to start questioning right now or do you wish to start our questioning at two o'clock? Mr Cousens would be the first on my list at two o'clock.

Mr Adams: If Mr Cousens is on the list, I think it is fine; but if we could agree that we end it now, it would suit me fine.

Mr Cousens: I will just ask one then. I wanted to ask a question on the capacity of the stadium. When we had the original Ministry of Treasury and Economics report, it indicated that the stadium would provide 54,500 seats for baseball and every time I get there I look up and I do not see the numbers reaching 54,500. When do you expect we will be able to get that place filled right up, especially with the pennant race on?

Mr Magwood: All right. The capacity was intended at one point and another to be 54,500 and in terms of the final design, is geared at 52,500. The current numbers that are announced are in the order of 49,200 to 49,400, depending on the day. Those numbers exclude certain elements. They exclude complimentary tickets, which is a function of the operation of the Toronto Blue Jays. They exclude also handicapped seating, of which we have close to 500. They exclude aspects of the project not yet open, so we have a series of SkyBoxes that are not yet open. They also exclude, in terms of the manifest, the various restaurants and the hotel, which have viewing areas of the field.

To come to the stated number of 52,500, which is still our target—probably closer to 52,000—we will not make that until all of those facilities are open and only then if we could add into that the seats which are complimentary and handicapped.

Mr Cousens: Just a supplementary on it, and it has to do with the question many are asking which has to do with the National Football League franchise, should we ever want to apply for it. I do not know who would want to do that, but in case it were to happen—and I understand they look for 65,000 seats there—how would you go about providing for that number of seats? That is just an eventuality.

Mr Magwood: Yes. As part of the exercise that we went through at the beginning, we converted, if you like, the number of seats for Canadian football that could be found for NFL. The NFL field is narrower by 15 yards; it is shorter by 10 yards; the end zones are 10 yards shorter. So what we end

up with, if you like, is a perimeter which could be filled with seating, and particularly the north and south ends of it.

The indication that our designers gave to us at the time is that we could put in this facility 60,000 seats on that basis. I cannot confirm that today for certain, but it would certainly be in that order. What the requirement for the National Football League would be I do not know, other than what I hear, which is that 60,000 probably meets the minimum criteria.

The Chairman: Miss Nicholas had a supplementary to that.

Miss Nicholas: No, it was not a supplementary; it was a new question.

The Chairman: Fine. Further questions, Mr Cousens?

Mr Cousens: I will leave it until this afternoon.

The Chairman: We will stand adjourned until two o'clock. We will be meeting between two and four this afternoon.

The committee recessed at 1156.

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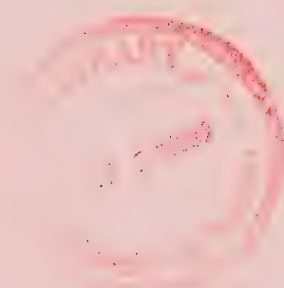
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STANDING COMMITTEE ON PUBLIC ACCOUNTS

SKYDOME

MONDAY 11 SEPTEMBER 1989

Afternoon Sitting



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Philip, Ed (Etobicoke-Rexdale NDP)

VICE-CHAIRMAN: Pouliot, Gilles (Lake Nipigon NDP)

Adams, Peter (Peterborough L)

Ballinger, William G. (Durham-York L)

Charlton, Brian A. (Hamilton Mountain NDP)

Collins, Shirley (Wentworth East L)

Cousens, W. Donald (Markham PC)

Fawcett, Joan M. (Northumberland L)

Nicholas, Cindy (Scarborough Centre L)

Nixon, J. Bradford (York Mills L)

Villeneuve, Noble (Stormont, Dundas and Glengarry PC)

Substitutions:

Lupusella, Tony (Dovercourt L) for Ms Collins

Morin-Strom, Karl E. (Sault Ste Marie NDP) for Mr Pouliot

Clerk: Manikel, Tannis

Staff:

McLellan, Ray, Research Officer, Legislative Research Service

Witnesses:

From the Stadium Corp of Ontario Ltd:

Magwood, Charles, Past President

MacArthur, Jamie, Vice-President, Finance and Administration

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday 11 September 1989

The committee resumed at 1402 in committee room 2.

SKYDOME
(continued)

The Chairman: I will call the committee to order. Cindy, did you say that in addition to your supplementary you wanted to be on the list? Is that my understanding?

Miss Nicholas: It was not supplemental. Mine was a new question.

The Chairman: Okay, so you are next. You can start off the questioning.

Miss Nicholas: Really? There is nobody else on the list?

The Chairman: There is Karl, but I saw you first.

Miss Nicholas: Now I am going to have to think about a question. I figured I was so far down that I did not need a question.

The Chairman: I take them in the order in which I see them. I call the committee to order. My list, which is building, is Miss Nicholas, Mr Morin-Strom, Mrs Fawcett, Mr Cousens and then Mr Nixon.

Miss Nicholas: We were talking earlier about the thrill of the opening of the SkyDome. I think most of us were there. Well, some of us were there and had the opportunity to get wet. I just want to thank you for making me feel as though I were in my element, and I want to thank the Honourable Gerry Phillips for his umbrella, because I think those two made it successful.

I had a couple of questions. One is, I guess, along Mr Cousens's line. I was under the impression that the first month, because of the rush of finishing the SkyDome, if I may call it that, the panic that sort of settled in that week, that you were going to limit attendance for the first month. Was any consideration given to that or was that just something I heard through some other mechanism, or were you willing to accept 45,500 to the baseball games right off the bat? I do not know where I heard that or who would have started that discussion of only allowing 30,000 or 35,000, except for the opening night.

Mr Magwood: There was a condition in the precinct agreement between Canadian National real estate—and we actually came under CN as far as our rights with the city were concerned—and the city of Toronto that required, as one of the preconditions to opening the project, that the SkyWalk be opened. The SkyWalk is the pedestrian link that basically goes from the CN Tower to the east over to Union Station. That was not ready. When we came up to two months before opening, and as the days started to close to 3 June, it became apparent that we could not satisfy that essential precondition.

What we had to do was to negotiate with the city an alternative that would provide at least equivalent capability of moving people, so we came up

with a temporary plan which involved the construction of temporary stairs at the foot of Simcoe Street, so that people would move from Union Station through the moat, which is the area that is uncovered, but at the level where people park at Union Station, moving towards the west across York Street, across Station Street, up temporary stairs into a bridge and across the rail tracks, across what was known as the Simcoe Street stairs.

The city therefore had a concern that should that facility not be put in place—and it was going to be a real rush to the very end—then there would be a limitation on the number of people who could attend an event. The cap on that was 30,000. After the fact, now that the project is open, should there be any dislocation in that service of people moving across the bridge—and right now, it appears that about 8,000 to 9,000 people per game are actually taking that particular route—we have to work out a program, and this is in the works right now, to demolish those stairs and complete the SkyWalk, so that there is no downtime or no interruption in the flow of people through this route to Union Station.

Should there be a break in that flow, the city imposed, if you like, another condition on us that said that, during that period of time, there be a limit of 30,000 people who could use it. So there was a little publicity in the last few weeks on this particular subject, and it was misunderstood as to what was actually happening physically out there. What has happened is that we have worked out a program where we have shortened the period of time of potential dislocation to about three days. We have a number of windows in our events schedule where we can fit in that completion of the work; so that in the end, there has been no limit on the number of people who can attend an event, there was not such a limit when we came into opening and there will not be such a constraint through the peak, so there is no effect whatsoever on our ability to fill the stadium up for all events through to the end of the year.

Miss Nicholas: How much did it cost the taxpayer to open on 3 June?

Mr Magwood: To open?

Miss Nicholas: In terms of the overtime and the rush. I think we will all agree that there was some concern whether it would open that night, and I am sure you aged a few years in those few days before; not that I notice it, mind you. But there was some concern, and I know people were working around the clock; I would anticipate that perhaps that last week, the hours that were put in were maybe not something you had estimated. I am trying to get a feel for, where you separated the overtime work, whether you have made any calculation of how much is attributable to the last week of work, as opposed to the last three months of work.

Mr Magwood: No, we have not put a number on the last week or the last two weeks. We have rather really looked at it over the course of the three-month program that we had to generate, which really started in late February to gear up to make 3 June, and that was the number of \$15 million, which is really only a guesstimate of attributing those costs incurred through the last piece to the particular date.

1410

Miss Nicholas: I noticed when we left on the opening night that there were a number of people flicking little counters and counting which way people were coming out of the dome. I do not know if that was engineered by yourself or by the Toronto Transit Commission or who was doing this, but there were a lot of people trying to count how many used different corridors.

When I was at the dome last week, I did not notice these people. Does that mean we have the traffic flow under control, or does that mean you felt the necessary monitoring was for a certain period, or did I just not notice them? Was it just the opening? I was intrigued to see that you were watching or somebody was out there watching the traffic flow. I just want to get a feel for whether the congestion that we had anticipated in that area was one we should not have been concerned about.

Mr Magwood: This may come out if we get into the transportation aspect in more detail, but one of the programs we engineered was a monitoring program after the project opened. We had a certain body of data that had come through reports where we had made certain assumptions. What we needed to do is to test the validity of those assumptions with actual practice.

It is really quite important, because the bridges and the routes into and out of the facility have capacities based on their widths. What we wanted to do was to determine whether we were in fact using the capacities as we had thought we would or whether there was a problem. The whole point of it was to learn through actual experience to change whatever we put into gear, if necessary, in order to take care of what could be a problem.

One of the pieces of information that I think was handed out to you was a brief summary by our transportation people, Barton-Aschman Associates, on the actual experience. I believe we did that for five of six games, but one day in particular, a Friday where there was a crowd of 48,500 people, we determined exactly where they came from. We did questionnaires that were there and sourced whether they came by public transit, GO Transit, whether they came by bus or whether they came by automobile, and if so, where they parked, and what parts of town they came from, etc.

We really have come to a conclusion that the program that was put in place has ended up to be a good program. One way or another, we spent almost \$1 million leading up to opening on a public education program to assist people coming to the project. That included an arrangement with the TTC where we had free public transit, showing only a ticket, for 30 days after opening. That cost \$600,000. We wanted to test that program against the actual practice. It is working and working very well.

Miss Nicholas: The other thing that I think has been a concern to many people is accessibility into the dome. Not the transportation, but—I have not gone through the SkyWalk, but I know my father-in-law, a recent bypass patient, did the 60 steps, I believe it is, at the SkyWalk and was puffing when he got to the top.

Within the dome as well, the ramps, which you have utilized I think very effectively down at the Canadian National Exhibition—I was in the back and I saw the lineup to the elevator—"the" elevator, as I understand it; there are one or two in the place—and it was quite a considerable lineup to the elevator. For not only those who may be handicapped by means of a wheelchair but those who may not be physically active, are there alternatives being considered in the long term for accessibility to the dome? As you have pointed out, if you go around its circumference, it is quite a distance. I know I had to go around to the back. It is a nice walk on a good day, but during the winter or on a miserable day or if you were a little older, perhaps that would be difficult. I just wonder if there is any long-term consideration being given to making it more accessible.

Mr Magwood: Yes. It is a good point; it needs to be improved. I

think the experience from the very beginning is that we needed to do a better job for the handicapped. We need to do a better public relations job for older people so that there is a simple and easy way for them to understand the best route for them, depending on their own particular problem. I think also that, to assist with that, there are certain physical elements that are either in place or should be in place to deal with all that.

Let me be specific on a couple of things. First, the SkyWalk and the problem with the SkyWalk is really a temporary one, only until such time as those stairs come down. It is a big climb. It has to be over 50 vertical feet, which is the equivalent of about a six-storey building, to climb from Station Street up to the top of that bridge.

I have spent a fair a bit of time, as others have, on those steps just watching people to see how it is being handled. For some it is not a problem at all. Most people who walk from Union Station are fairly fit and can deal with it; for others it is a problem.

That is a temporary condition, because hopefully as early as the end of this month, the SkyWalk will be in place. When it is in place, the vertical lifts will be greatly assisted through escalators and elevators that are within the SkyWalk route. So that problem, if you like, will improve and will improve in the next few weeks.

The second part of it is that there are a number of people who would be taking that route, for example, who would be much better served to take a different route if they just knew about it. That is part of the public relations program that is being developed now so that older people should be encouraged to walk on Front Street and come across the John Street bridge rather than to take the SkyWalk route. That is a matter of us communicating what the best route is for them.

As far as in the building is concerned, another aspect is that the project itself, as you probably know, is set up as a five-storey building, where there are five levels for people in the public to use. Depending on where you are on the outside, the slopes move from the north to the south and there is a vertical drop of about 30 feet, about 10 metres. So part of the understanding is knowing, depending on where you are sitting, whether you should be entering the building at the north end or at the south end.

The people who are most inconvenienced, the older people, would be those who would come in from the north, move to the south and then go all the way back up to the top level of the building. What we have instituted, and it is just about to come out, is a plan and sketch that would be—and also our own people are attuned to this—where people coming from the north, who are older people and perhaps disadvantaged one way or the other, no matter what the gate number is on their ticket, can come in at the north end. So they will already be coming in at our 300 level. They need then only go to the 500 level. That is something that, frankly, with the rush and everything else that was coming, has not been properly communicated and will be handled better.

Another one that you were just mentioning is the handicapped. With the handicapped people, we now have that program under much better control. We have a telephone line that is designated for the handicapped. We have a handicapped person we have hired who deals with just that. That person is in a wheelchair, understands the building and knows the accessibility problems, and can communicate with those people by telephone. That is assisting to a significant extent; plus we have a gate that is dedicated just for the

handicapped; plus the business of handicapped parking, which was fouled up at the beginning, has been dealt with so that it now works much more smoothly.

I guess the last thing is that there are 16 elevators in the building; in the early stages we had two working. It is a problem of getting the elevator operator to get the elevators working. They are still not all on line. A lot more are on line, but it means right now that there are lineups particularly for people exiting the building, at the same time coming from the top level. That is a long answer.

Miss Nicholas: But it is a good one, because I had the ability to make a presentation at field level the other day.

Mr Ballinger: I saw you on television, incidentally.

Miss Nicholas: I wish they would not have shown my behind on the screen.

Mr Ballinger: They recognized you as Mrs Eggleton.

Miss Nicholas: Did they? Anyway, I went from the field level up to where I was sitting. The elevator lines were so long, we went up the stairs; Mr Edwards said to us, "It's only two flights." We had Joyce King with us, who is vice-president of the International Seniors Association; thank goodness she is such good shape. She said, "Two flights is nothing." But what he forgot to tell us is that two flights there are equivalent to four or five flights anywhere else; your two flights are not a regular two flights. When we got up we were puffing, but it was much more expeditious.

Mr Magwood: Can I make one comment just to add to it? One of the surprises here is how well-used this building is by seniors, particularly for baseball. It is a sport, an event that seniors come to. We have been blown away by the numbers of seniors who must be accommodated. That is good news; that is very good news. It is part of the advantage, I think, of having built in the city. Richard Peddie, involved with this now, is focusing on this problem.

1420

Miss Nicholas: That is good to hear because I know there has been a lot of press about it. I had not realized that in fact those steps in the temporary SkyWalk would be eliminated or accommodated by other mechanisms of getting up.

The other thing I wondered about was the dome. Is it working properly, computerized and everything now? I had the feeling it was not quite in line at the opening, that they were opening the dome somehow in a manual way. Is that right or wrong? Is it fully computerized now and if it is not fully computerized, have you taken the opening of the dome into your cost projection? Is it within this \$532 million? Are all the bugs worked out?

Mr Magwood: No, the bugs are not completely worked out. The situation, as of the opening, was that right up to the 11th hour, frankly, we were not certain whether we would have it at the state where it could even open. There was a lot of final tuning and a lot of commissioning, as we call it, that was left to be done, which is really practise in the evenings plus signoffs by a number of consultants who were in the act. That night the roof opened on a local manual mode—that is what we call it—that was without use

of the computer and basically with individuals driving each one of these panels.

A key reason that people did not understand why we simply could not open it partway and close it is that we were not geared, from the point of view of commissioning out the roof, to do anything other than open it and close it. That was the mode we were in at that particular point in time. We passed that a long time ago and now, for those who have been there, they have seen—

Mr Ballinger: Mr G has forgiven you.

Mr Magwood: Mr G?

We are now at the point where the roof can be opened and closed in about 20 minutes. At that point in time, we were at about 45 minutes.

Miss Nicholas: Opened and closed or opened in 20 and close in 20?

Mr Magwood: To open in 20 and close in 20; that is right. We are now going through the final process of a series of tests that are required before the roof is finally turned over to the building and the roof contractors have left. Dominion Bridge is still actually operating the roof for us. That is very close to being completed.

Miss Nicholas: I think it is very important that this work to its expectations, but in terms of your \$532 million cost, have you worked in the additional work that may be needed to make the dome open and close as you expect it to?

Mr Magwood: It is not anticipated that there is any more physical work to be done. In fact, it is built. What we are really talking about is operational exercises, if you like. The existing people at Dominion Bridge will operate the building through to the end of the Blue Jays season. It will then close and then some time probably in late October or early November it will be closed until the following spring.

Miss Nicholas: I have one more little question, if I could.

The Chairman: Okay.

Miss Nicholas: Yes? The chairman is being so generous.

The Chairman: You have not taken 20 minutes yet. I do not like to set a hard rule of 20 minutes. I usually feel that 20 minutes is a reasonable amount of time for a member to take.

Miss Nicholas: This is just so intriguing. I think this is a fabulous building. I am very biased about it.

Regarding the SkyBoxes, the food up there is so expensive. You would say, "If you bought it for \$5 million and then you were up there...." You must be making far more money on that than you ever thought you would, or is that a false statement? I mean, it is \$6.50 for a hotdog and you have to order a minimum of 10. I saw a lot of people eating lots of food up there and they seemed to be quite jovial and enjoying the festivities. You must be making more money than you expected. You talked about the gate receipts. The boxes

all seem to be full. You must be making some money on that, more than you expected, or do you not have figures? Is that what you are going to tell me?

Mr Magwood: The boxes are being very well used. At the beginning, we anticipated that there would be perhaps 16 people per box who would use them, given that an average box has 10 seats, 12 seats on the outside, and there may be a few more people inside. What is happening is that the boxes are stuffed to the rafters. If you look around the building right now, they are hanging out like the gargoyles in Michael Snow's sculpture out at the front of the building, not that there is any similarity.

Miss Nicholas: They all have either food, liquor or beverages in their hand.

Mr Magwood: That is right. The guy who has the hotdog in his mouth is real.

The Chairman: Will they be able to do that with hotel rooms as well?

Mr Magwood: That will animate the north end; that is right.

There is more money that is probably being spent in there. Frankly, at this point, we are only now starting to see what these sales numbers mean. Our interest is, once again, a percentage of what gets sold in the SkyBox, as we enjoy a fairly healthy per cent of the gross. It should meet our expectations. I cannot say whether it has yet.

Miss Nicholas: I guess what I am getting at—you have reiterated that they really are using the boxes. The alternative could have been that they were left empty on a number of occasions, but particularly with baseball, there seem to be plenty of people up there. I think what is important is that it is not cheap to entertain in the SkyBox. People have bought this \$5-million—I know there is the SkyBox. I am thinking of the boxes you received as a result of being part of the consortium. Then you get your box, but a night there is very expensive. It is not as if you get the box and away you go. They do spend a lot of money in those boxes every night to entertain their 19 or 20 people and watch the game. Perhaps what I am saying is that they are helping the dome even more on a nightly basis.

Mr Magwood: That is right. The SkyBox community, if we can call it that, is a very important aspect of the project. It is like an annuity as far as its future is concerned, because the commitment of the people who purchased those boxes is a 10-year commitment. They have made initial deposits, amounting to two years at this point, which have provided us with significant capital up front that goes towards the overall cost of the project. It amounts to almost \$40 million that has been prepaid by box holders.

In addition, the annual lease payments that come from those SkyBox holders are very important in terms of making sure that we have a secure revenue. We can virtually consider it done as far as those payments from those leaseholders over 10 years are concerned. It is a variety of covenants. It is not as if we are lining ourselves up behind one or two companies. There are 150 covenants from 150 very major enterprises that have executed a document to pay out over 10 years.

Having done that, they have a commitment to the building, and it shows itself in a few ways. It shows in terms of using them for every event, whether it is baseball, football or concerts. Second, they use it as their

entertainment selection. It is changing the lifestyles of the rich and famous here in Toronto to a large extent. I imagine there is some trending that could be established that in many ways the core of the city has benefited because this facility is there. It is true and it is happening in the boxes. Once again, that is part of the financial interest, as landlord, that we all have in this thing.

Miss Nicholas: Great. That is good. I just think it is entrepreneurship at its best and I think you should charge \$10 a hot dog.

Mr Morin-Strom: I want to ask a bit about the prices there as well, but since Cindy, first of all, got on to the issue of the SkyBoxes, I wonder if these corporations have to buy a set number of tickets. I assume there is a set minimum. Are they actually paying one ticket for every person they have in the SkyBox? The suggestion is there are more in the SkyBox than were expected. Are they paying a full additional ticket for every additional person?

Mr Magwood: The arrangement differs depending on the nature of the activity. In the case of the Blue Jays, there is an obligation on each SkyBox owner to purchase a minimum number of tickets, and I believe that is now 16 per box. Should there be more than 16 people in the box, then they must purchase additional tickets for each and every one of them. If there are 24 people in the box, there must have been 24 tickets purchased. In the case of the 16 per box, that is a prepurchase for the Blue Jays, if you like, at the beginning of the season of a lump of season ticket holders.

With respect to the Argonauts, there is no such obligation. If there are people in the box, they must all have a ticket to the Argo game, but there is not that minimum commitment of 16. There could be eight. The same would apply for each and every other event, for concerts or moto-cross, whatever it happens to be. Everyone in a box must have purchased a ticket for the event.

Mr Morin-Strom: Is that part of the reason the attendance fluctuates? Even for Blue Jays games, you do not know exactly how many tickets are going to be purchased over the 16.

Mr Magwood: That is correct.

1430

Mr Morin-Strom: One of the things that bothered me the first time I went into it, and I think it bothers a lot of other fans, is the exclusionary seating in the facility and the fact that the entranceways basically shunt you into one area of the stadium and exclude you from seeing other areas. I think of families that come on an outing to the SkyDome, have their tickets and to into the stadium with their kids. When people go into a stadium, they like to see what the view is from various areas.

I know that the first time I visited, we were up in the upper deck and I was able to go all the way around the upper deck, but it was impossible to get to any of the other decks. In fact, it was impossible to get to the major restaurant that is in it, so I presume it is impossible to get into any of the SkyDeck area or SkyBox area for an upper deck or a lower deck ticket payer. I would like to know why that exclusionary seating was developed for the stadium.

Mr Magwood: There are two aspects to the question, I guess. One is that there is almost like a socioeconomic split within the building. It is a

Dagwood sandwich which, depending on what portion of the sandwich you like, dictates where you can be.

The SkyBox owners on levels 300 and 400 are the only people who have access to those two levels. That is a traffic flow consideration, a security question as well and it is also a part, basically, of what those people bought.

In the case of the club level, which is the 200 level, the same thing applies there. Unless you have a ticket to the 200 level, that is not general admission and you cannot get in there. You actually come in at a different entrance.

With respect to the general admission areas on levels 100 and 500, if you have a ticket on one level, unless you are creative, which you could be, basically you are streamed into your own gate. That is the way it works in the major stadiums anywhere, as I understand it. It is really just to make it easier for people to get in and out. Otherwise, there would be a terrific conflict in the flow of people.

The other element you mention is the restaurant. Actually, anyone can get to the restaurant, but you have to go outside the building to get into the restaurant, depending on where your ticket is, if you do not have a ticket on that particular level. But it is open to anyone with a ticket anywhere in the facility, as are all the major restaurant facilities.

Mr Morin-Strom: I see. So someone with a ticket to the upper deck would have to go back out of the building to get into the big restaurant in the north end?

Mr Magwood: That is right. Its entrance is at the north end. The same applies to Sightlines Bar, which is one of the bars there, and the Hard Rock Café. If you have a ticket that is on the 200 level, then you could go directly into the restaurant. Once again, that is just to avoid all the streaming within the building, with people trying to figure out how to get to different places.

Mr Morin-Strom: I think some people have some concerns that a certain class of people, particularly those in the consortiums, did not want to have to associate with the average ball fan.

Mr Ballinger: If you want to go to Maple Leaf Gardens, I have two blues and two greens and I cannot get down to them. It is not a classy station at all.

Mr J. B. Nixon: Class warfare.

The Chairman: Order. Is that a comment or a question?

Mr Morin-Strom: That is a concern I have about the design of the facility.

Mr Magwood: Let me have one more go at that. The overriding thing is that with so many people coming in and out, and given where their seats are, the design makes it clear to people where they come in and where they go out and discourages as much as possible a mingling within the building.

Mr Morin-Strom: Moving on to the prices, for those of us who are getting our tickets in the upper deck, I guess, I see a comparison here of

prices at the McDonald's restaurants between Yonge Street and the SkyDome. These are not \$6.50 hamburgers or hot dogs, but let's say Big Macs at the SkyDome are \$3.25 in this comparison I see here in some of our documentation from the researcher, compared to \$2.25 on Yonge Street. That is a difference of 44 per cent higher. A soft drink that is 89 cents on Yonge Street is \$1.39 in the SkyDome, 56 per cent higher. A milkshake is \$1.19 on Yonge Street and \$1.75 in the SkyDome, 47 per cent higher. I wonder if you could comment on price differences between concessions, particularly McDonald's in the SkyDome in comparison with what the market rates are in the city of Toronto.

Mr Magwood: All right. One of the concerns McDonald's had at the beginning, at least in the negotiations I was privy to, was that it had a very reasonably priced product out on the street using a certain format that had been perfected to work for a certain restaurant type of setup. It is a very well worked out scheme, if you like, with a good deal of time horizon to get it to where it has ended up being. Their concern was that their business and perhaps their profile could be damaged because of the very type of comparison you have done.

The fact of life is that they could not afford to sell the product in the stadium at the same prices they sold it at on the street. The reason for that is that they had to make, in this case, an incredible investment in doing something that had never really been done before, by them or anyone else. Normally, in stadium facilities the investment by the third-party operator is of the order and magnitude of several million dollars. Initially, when McDonald's looked at this, I know it anticipated its investment would be in the order of about \$8 million. As it has ended up, it has been in excess of \$30 million, so they made a very significant investment in this and a huge investment in terms of the staffing, training and people they put in place.

What McDonald's has had to balance off here is a desire to price the product as closely as it can to where it has it everywhere else and have a reasonable rate of return. I think the thing at the end of it that matters—we are part of the process where every year McDonald's must submit to us for non-Blue Jays games and to the Blue Jays for Blue Jays games—is the nature and breadth of the products that are available.

We ourselves want to be very fussy to ensure that we have got a very broad range of products, far beyond what McDonald's would normally do. We felt that a stadium-fare type of menu was essential here, which gives you nachos, pizzas, hot dogs, pretzels, all the good things you get at a stadium that you will not get at McDonald's up on Yonge Street. Our involvement in that was to look at that menu and also to ensure that the pricing of the product met the market for stadiums. We have to really compare, if we are going to compare apples and apples, other stadiums and not just a small restaurant that is up the street.

One last thought is that the cost, a very significant rental to us as landlord, is far in excess of what McDonald's pays for rental for that store up the street. That is involved with the price too.

Mr Morin-Strom: You want to make your comparison with other stadiums. However, the committee has received a document called the preferred supplier status document, dated 8 May 1986, which refers to the transactions occurring at market rate. That document explains, "'Market rate' means the supplier's price, terms and conditions generally prevailing for supplier's similar promotions of such products and services of the same quality to buyers operating at the same level of trade in the Metropolitan Toronto area." Quite

specifically it says "in the Metropolitan Toronto area"; it does not say "in other stadiums in other cities." Why is the criterion not, according to the preferred supplier status document, the going rate in Metro Toronto?

Mr Magwood: With respect to all the preferred supplier arrangements, there is a fundamental test of fair market value that must be met. But the question is, What is fair market value? What is the measure and what is the yardstick? If we are talking about the supply of Coca-Cola, if we are talking about the supply of buns to McDonald's, just taking the products that it purchases, which in turn are purchased from some of the consortium members who have their own rights—for example, the buns and the weiners come from Loblaws, a subsidiary of Weston, the beverage comes from Coke, etc—those must meet that test, and the yardstick for measuring that would be the Metro Toronto test.

1440

In the case of McDonald's, the test is not the test of what is on Yonge Street. The fair market arrangement they had to meet with respect to the payment of their rental to us was other stadiums, and we did an analysis on that to come up with what would be fair. In terms of the pricing of their product, that is not what is affected by the preferred supplier right. The preferred supplier right to McDonald's was to operate a restaurant, to operate a fast-food concession. So it must meet, with respect to the rental paid to us, the test. That is not the test in terms of the product they sell from that restaurant. That is basically their business.

Mr Morin-Strom: Some might contend that the big difference is the fact that McDonald's has to pay 38 per cent of its revenues. Obviously, McDonald's on Yonge Street does not pay 38 per cent of its revenues to the stadium corporation or the Blue Jays. That must make a big difference. But is that 38 per cent not really what the consumers are paying, and is that not a benefit that is going into the consortium?

Mr Magwood: Into the partnership. Yes. In part, that is absolutely right that the cost of doing business for McDonald's in the stadium is significantly greater than the cost of doing business up the street. One component is rental. Another component is capital investment and a requirement to amortize that investment. Another is the degree of staffing necessary to take care of this kind of facility. In a sense, the landlord here is the author of part of the very problem you are describing.

Mr Morin-Strom: Do you think you were put in a conflict-of-interest position by having McDonald's as an early partner in the partnership, that in effect that meant you were having to negotiate internally as opposed to being able to go outside in an objective fashion to get the best possible deal for the stadium corporation?

Mr Magwood: I would not describe it as a conflict. In fact, I would turn it around probably to be a positive, that having made the commitment they had, it meant it was a matter of working with them, as landlord and acting for the landlord, to ensure that we could really secure the best possible rental deal we could with McDonald's.

The fortunate thing here is that as we looked out into the industry to the other stadia that were around, there were not very many people who were in this business; there were several companies. In our view, rightly or wrongly, not very many of them were really all that expert in dealing with a project of

this scale. McDonald's was not in the business, but what it had was an organization that was geared to dealing with serving a lot of people, quickly, very good food.

What we did in the process, and the first thing we had to make sure of, was that we made the best possible deal with them. We needed to arm ourselves with the ammunition, if you like, to extract the best possible rental arrangement. We retained Laventhol and Horwath to stand beside us, do its own research in terms of other stadia that were out there and back us up as far as we could to hammer home the best possible deal. That is how we ended up with 38 per cent.

At Exhibition Stadium, the percentage paid by Versa Food Services is 26.2, so the return to the landlord in that case during Blue Jay games was 10 per cent. In this case, we were able to negotiate a 38 per cent deal, which is far better than that. It is a better arrangement, significantly, than BC Place. It is better, significantly, than the Big O of Montreal. In addition to that, in this case all the investment was made by the food operator and not by the building, whereas in BC Place it is the opposite.

Mr Morin-Strom: It is better for the partnership, but it may not be better for the consumer who is having to pay that 38 per cent price on the goods.

One other question on McDonald's: You say it had to put in \$30 million. Is that \$30 million buried as part of the \$532 million estimate, or is that an additional \$30 million on top of the \$532 million?

Mr Magwood: It is on top of that. There is probably \$100 million that has been invested by third-party tenants in the building, which is in excess of the \$532 million, of which McDonald's is one example of 30. I do not know the number. Do not hold me to it. That is what I understand.

Mr Morin-Strom: Because I had seen, even on your estimate of the overrun, that McDonald's was listed as one of the items which had been budgeted as of 11 August 1988 at \$650,000 for the McDonald's on the mezzanine. The cost of completion was \$1,664,000: a more than \$1 million increase in your appendix 1, for investment presumably on facilities for McDonald's. You might say that \$1 million is small compared to the amount of money they put in, but there were additional funds put in by the stadium corporation.

Mr Magwood: That is right. There are a couple of items in that summary that deal with tenants' space. The one with McDonald's in that example is one where in the end, when the building was complete, there was more cost attributable to the McDonald's premises than we had originally anticipated. This amount has nothing to do with the investment they are making within their own restaurant. It was really McDonald's-related. In this particular example, it related to bringing services to McDonald's to meet its needs.

Through the discussion and as we came to the end of it, there was a decision made, rightly or wrongly, to upgrade the cooking capability of all of the various facilities operated by McDonald's. At one point what we had was a fraction of them that had venting so they could actually do the grilling and cooking onsite. The intention was that the balance of the fast-food concessions would be used as heating outlets, basically just like holding areas.

We decided to upgrade the basic system so we could provide exhaust from

all of the food concession areas. That involved a significant premium to us as landlord, but remember that we are a joint-venture partner. If that improves what can be sold and therefore the number of dollars that are generated from it, we are the beneficiary of that. So we did make some additional investment in the McDonald's premises.

Mr Morin-Strom: I would just like to ask why it was that McDonald's was in from the beginning as a consortium member and then you had to work all these arrangements out with them, in comparison with what has happened in the hotel part of the operation, where, as I understand, there still has not been identified an operator of the hotel or whether the hotel is going to be owned outside at some point at all. As I understand it, the stadium corporation has developed the hotel on its own without a professional hotel operator being given the exclusive contract, let's say, that McDonald's or Coca-Cola was given in these other cases. When it came to the hotel, why have you left it outside of the consortium, with the possibility now, I presume, of going to find the best possible operator you can and the best possible arrangement in operating the hotel, rather than having someone inside designated to be the hotel part of the partnership?

Mr Magwood: In the case of McDonald's, it was one of the early consortium members that Trevor Eyton and his group put together. When the original group of 10 was put together and the announcement made on 1 January 1985, they were one of the parties that was there. As you quite correctly said, it was for us then, with those rights generally having been defined, to negotiate and hammer out a deal with them to try to ensure that it was a fair-market deal. If we had not succeeded in doing that, then presumably they would have exercised their right and failed, but they did not and we could work it out..

The hotel situation is different in some ways and it is the same in some ways. One of the original consortium members was CN Real Estate and it was actually Canadian National Railway Co that came in at the beginning as a federal crown corporation. They purchased two \$5-million units. Attached to those units were certain rights that dealt with fine dining, with railways, if we were ever to build one, and it also dealt with hotels. CN had its own hotel chain. CN then disposed of one of its units to the Bitove Corp; it was by virtue of that transfer that Bitove inherited the fine-dining rights and that is what found itself in terms of these various restaurants.

1450

What CN kept was the hotel. CN then sold its hotel chain, which includes Jasper and Lake Louise and Montebello, etc. That was transferred to CP Hotels, and with that transfer went the rights. So we do have an operator for the hotel: CP Hotels. That arrangement and agreement was made really some time ago. The contract with them was negotiated well after they first came in, just as with McDonald's; in fact, I think that contract was dated back in 1987. With them, CP is the operator. They are making a significant investment of over \$9 million in the hotel in furnishings, fixtures, equipment, carpet and so on; the finishing of the hotel actually is being done by CP and we have a long-term operating agreement.

Mr Morin-Strom: But the consortium has paid the escalation in that price from something like \$65 million up to \$90 million over less than a year. That was one of the biggest components of extra costs. The consortium agreed: "We are going to fund that full increase." That is not a liability on CP Hotels.

Mr Magwood: It is not the consortium; it is the stadium partnership, the partnership being the public-private combination that bears the incremental cost. As I mentioned earlier, that increase has come from several different places, one being the extra square footage that has been added for meeting rooms and dining facilities, and the other, the upgrading of the hotel to ensure that it is a first-class hotel, which in turn reflects on room rates.

The operating agreement with the hotel is one where CP Hotels enjoys a certain fee for managing it; but of the cash flow that flows to the partnership, 80 per cent goes right to us as partner, so we have a significant interest in the room rates and revenues that flow from the hotel. That investment was directed towards return. Not to be too long with the answer, the other element is that there clearly has been some market impact on the hotel, because it is the last thing that has been completed. We have been affected by various labour elements in that.

Mrs Fawcett: Some of my questions were on services for the handicapped, and Cindy asked those. I have just one further one, though. Is there a time line? I do not believe you actually said when the services for the handicapped would be totally complete. I know you were talking about various ones that were on stream, but then it seemed as if there would be more.

Mr Magwood: Right now, the hotline for the handicapped is in place. The individual who can provide assistance is there answering the phone and dealing with those people. The parking situation has been clarified. We have designated handicapped parking spaces. There is a reservation system that now works and the pickup of the tickets works well. At one point at the beginning those were different exercises, that of getting your parking ticket and getting your ticket to the game. Some people really had to go through a circuitous system.

Mrs Fawcett: I have had a couple of people mention that to me.

Mr Magwood: I think we now have taken care of that. The elevators are not all activated yet, so that situation is not 100 per cent.

Mrs Fawcett: You do not know when that will be cleared: as soon as possible?

Mr Magwood: Tomorrow and tomorrow, yesterday and yesterday; it goes on and on but it is imminent. It has been a tough one.

The allocation of handicapped seating is done; it is acceptable but we are trying to make it better. To be quite honest, for the end of this year we are doing a mockup, a creation of a platform that will provide some better viewing for the handicapped in certain seating areas. Depending on the outcome of that exercise for next season, we should have some better viewing areas for the handicapped.

This has been like the experience with the seniors; it has become a much more popular facility for the disadvantaged than we originally had anticipated. I think our operating people got hit with that along with a lot of other new operating experiences at the same time.

Mrs Fawcett: I am wondering about the tours. I do not know too much about that part of it. I am wondering whether there are tours before events such as the ball games and so on, so that people could come early maybe and get a tour of the place. That might address Mr Morin-Strom's question about exclusion.

Mr Magwood: We have a tour program every hour on the hour starting at nine in the morning, which has been in place since the building opened. We have been taking approximately 1,200 people a day through the building. It is booked solid. In the last two months we have had our theatre in operation, where people going on the tour can come see a movie of the construction of the dome and then go on a tour of the facility.

Mrs Fawcett: Depending on whether you could get in on a tour—say if you came before the game early, you might get in and you might not.

Mr Magwood: That is right, but the tour business is one that comes to a halt at noon on the day of a baseball game. What happens is that the baseball team basically takes over the facility at that point, and that is their right, that is a contractual constraint, so we are really stuck with that.

Mrs Fawcett: Are the tours making money?

Mr Magwood: The tours are very significant in terms of revenues for us. I forget, but at this point we have probably had 60,000 people through the building on these tours.

Mrs Fawcett: Have you thought of an information package on the dome for teachers? Probably elementary school children would find it quite interesting if there were some kind of package put together; also, I suppose, for school trips. Have you gone after that side of it at all, as far as education?

Mr Magwood: That is with David Garrick; David is good at working out these kinds of things. I know there is a tremendous amount of interest in different groups looking at the building. It has been more than we could handle at the beginning. David is now putting together a package specifically designed for school people. I know I have got three As and a B-plus in high school assignments for grade 13; every one of us seems to be live bait for any of our friends' kids right now.

Mrs Fawcett: I have to ask this last question, because a few of my more portly—I was told to use that word, not the other three-letter word—some of the more portly people feel excluded in that they find the seats a little tight. I have to mention my brother-in-law, who said he went once and he will never go back, because if he dared to stand up, 14 other people would have to stand with him. How do you go about deciding how big a seat is and so on, and have you had many complaints in that connection?

Mr Magwood: Perhaps your brother-in-law would like to join the SkyDome health club.

Mrs Fawcett: He probably should, and we tell him regularly, but it does not do any good. He says he is happy, but he also complains. I am going to get shot, all this being on Hansard.

Mr Magwood: The size of seats was a much discussed exercise through the whole design phase. The seats in the SkyDome are 18, 19, 20 and 21 inches, depending on where you are and depending on the shape of the radius. You could actually be sitting in a section and be in a seat that is one inch different than the person beside you, perhaps even two inches difference, depending on where exactly that seat sits. It is a matter of lining them up. Most of the seats are 19 inches—that is the average width—which is considered in the

industry a fairly ample size. I know it is not wonderful for everyone, but I am not really aware of a whole lot of complaining on seat width.

The other element was the number of seats between the aisles, which was one we also had to look at, in order to minimize the disruption when people are going out for their third beer or second hamburger, whatever. The maximum is 22 seats between aisles anywhere in the facility, whereas at Exhibition Stadium it was 44, so there was a good deal more popping up and down than in this building.

Mrs Fawcett: My son is quite tall, six foot five, and he said that the seats are definitely better for leg room than over at Exhibition Stadium, so he is fairly happy.

Mr. Magwood: A one-inch difference in a seat is a difference of something like 1,500 seats, as far as capacity is concerned, by level, depending on where it is. It is very much a tradeoff, in terms of the width of the seat and the depth of the precast section that went from the back of the seat to the front: Whether it was 33 inches or 32 inches was a big consideration. But all that was done two years ago and put to bed at the time, and now we have to live with it.

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The Chairman: Are you saying the tall, skinny people won out over the short, fat people? It became a tradeoff.

Mr Cousens: Mr Chairman, I want to ask some questions on the transportation issue surrounding the dome. It was a subject we reviewed when you visited with us last time, and some of our worst fears have been unfounded in that there has not been the crisis, but there still might be. I have some concerns in the greater Toronto area, as traffic continues to become a problem and I worry about the day in which you have a function and the city is trying to go home from work. So I just want to raise a few questions about the ongoing impact on the whole urban environment, with respect to transportation. I want you to comment, if you would, on the current demand on transportation facilities through the various modes—public transit, the automobile, the parking—maybe you could open it up and then I would like to have some specific questions.

Mr Magwood: All right. The analysis that was done at the point of determining the design of infrastructure—widths of bridges, requirement for roads, really was analysed at one point, but the decision was made a whole lot earlier. The background was that we inherited a situation where, the site having been dictated and determined, a philosophy was established by the city of Toronto planning staff and that was that there would be no parking, basically no parking. Figure it out, get there some other way and live with the existing system. So there is very limited parking that is under the stadium. There are 575 spaces under the stadium. There are 400 in a lot that is adjacent, so we have 975 parking spaces on the site that is south of Front Street. When you compare that to 25,000 spaces at the Astrodome, and these incredible seas of concrete and asphalt that find themselves in other parts of North America, that is like no parking at all.

The second step was to analyse what parking there was and what we might expect. That indicated there was a lot of parking that would not be used, based on conflicts of use of other facilities within close proximity to the stadium. The number we always talked about was 17,500 spaces within 1,200

metres, which is the same distance as gate 9 to the Princes' Gate at Exhibition Stadium, where there are 5,500. So we could come out quickly and say: "Yes, it will be better because there is three times as much parking and even though something may be happening at Roy Thomson Hall or the Metropolitan Toronto Convention Centre, or something else in the area, the available parking will always be in the order of 6,500 spaces, and our forecast of the modal split suggests that is adequate. Therefore, everyone else will go on public transit."

We anticipated that something like 55 per cent would come by public transit and, including charter bus and so on, something like 65 per cent, and that the automobile would make up something like 35 to 45 per cent. Also, I think we felt that the existing system, if geared up to rush hour capability, could deal with the exiting from the stadium, so that, in working with the Toronto Transit Commission, it agreed to bring on extra trains for the subway. In talking to GO transit, it brought in extra trains from GO to meet the requirements of the outlying areas, and so on. Because that system takes care of 300,000 people a day and has a peak-hour capability during rush hour of 100,000, and given that we anticipated that perhaps 60 per cent of a peak crowd, and that may be 25,000, is all we would be dumping into the system, ergo, 20 minutes and everything should be fine.

That was all theory and consultants' reports and you sort of keep your fingers crossed. I am just looking at a little study that was done for us by the people who were monitoring the project for us and the actual experience indicates that actually the forecasts have been fairly close, that we are getting 25 to 30 per cent on TTC, there are approximately five per cent coming by buses and streetcars, 15 to 20 per cent are coming by GO and those pretty much all line up with the expectation, and 25 to 30 per cent coming by automobile. That is lower than we had anticipated, so actually the number of people coming by automobile is fewer than originally anticipated. But that analysis is skewed by the fact that people had free public transit for the first 30 days. That is when that particular analysis was done.

A guess, at this point, is that probably it will fall to something fairly close to the original expectation. The big surprise is that the building is not dumping as Exhibition Stadium does, or Maple Leaf Gardens does, in that, when the game is over, everyone does not just leave and find themselves out in the system. The question here—what were those people doing? When we did the analysis of what was happening on all those bridges around the outside of the stadium, we found that the numbers of people in the first 30 minutes came nowhere near the number of people who were in the building. That is because a lot of people were staying in the building, were going through the facilities that were in the building or, in fact, were going in a slightly different direction without taxing the heavily used areas and actually staying in the downtown. So we are finding that, apart from the exits which are being used, the rest of the infrastructure can handle really very nicely the full capacity stadium.

Mr Cousens: Is there any transportation study under way to just look at the future that is going to take place, and have you been doing any further studies on it?

Mr Magwood: No, all we have done at this point is to have undertaken the monitoring program. The city of Toronto, through the public works department, is similarly keeping an eye on this. We are keeping on and working with the police. This is at our cost, the off-duty police people who are on Front Street and the barriers and so on. We are going to continue that program

out to the end of the year and then we will visit it. So I think the intent now is, given we are into mid-September—I say "we." It is no longer "we," it is "they." They will look at this thing in November and determine what studies and what further analysis should be taken.

Mr Cousens: That is why I am concerned about the long-term developing of a larger infrastructure to make sure we have services available. We are going to lose more parking in the city of Toronto if we just keep on allowing it to be replaced by BCE buildings, or by the Canadian Broadcasting Commission and different others. So we are continuing to lose existing downtown Toronto parking and, though in the original presentations you made, you indicated there was room for 15,000 cars, but I was satisfied that you felt you could not get any of those parking spots because the roads were not built.

I understood there was a \$14-million allocation being set aside by someone. I wondered who and to what extent there are plans under way to expand and open up the existing parking places that you have previously identified.

Mr Magwood: Okay, the degree of development that is taking place now in this part of the city—and it is hot. This is a hot real estate market. Land is turning over, things are springing up and it is becoming a really vibrant and viable part of the city. University Avenue used to be Stalinallee. You look out there today, there are people on it and it is becoming very much of an activity centre. But that has, and will take, over its development period, the existing surface parking. The CBC, for example, which we put into the original equation, has 1,200 parking spaces. We lost that. Notwithstanding that, it still has worked out okay. The replacement facility though, as I understand it, has about 1.5, and that might be a fair ratio between 1.4 or 1.7 of the amount of parking, depending on density, that replaces what is at surface.

So the CBC will turn out 1,800 parking spaces. Those will be available very much to the people coming to SkyDome, if they want to use them, I suppose, because of the nonpeak time. The events are in the evening, and in the CBC building, all those employees of the government will have gone home by that time, so those parking spaces may be freed up.

The \$13 million, I believe, that you are referring to, is the net cost to SkyDome for infrastructure and that is part of what really is almost \$100 million that has been spent on infrastructure relating to this whole precinct. CN Real Estate carries the lead on this and it has built the roads, services and the bridges, etc, and our obligation at SkyDome was to make a fixed contribution towards all of that. Our contribution, which was originally fixed to them, was some \$7 million.

1510

In addition to that, there are some other items where contribution has been made; for example, the Spadina Avenue bridge, which is now completely rebuilt. The final phase opens in another three or four months. It is an \$18-million bridge. That cost Metro nothing, even though it is a Metro bridge. SkyDome paid a certain portion of the cost of that facility.

It goes on. There are a number of items, but when you add all those up, which are things outside the stadium itself, our contribution, as part of the cost of the project, is in the order of \$14 million. That is what that number is, but it is not that we have created a fund for the future.

Mr Cousens: I guess I am concerned about the total cost it is going to take to complete the development of the parking and the tying in of the road networks. Has there been any estimate put on the cost of that kind of full infrastructure that still has to be done? It is partially started, the Spadina bridge and so on, but we know there is a considerable amount more that needs to be done.

Mr Magwood: Everything that is deemed to be essential for SkyDome is done. Anything that is done from this point forward will be part of a development plan for other precincts and other development sites as they open up down there, whether it is CN Real Estate or Marathon, but it really has nothing to do with us, nor is it a precondition or requirement.

Mr Cousens: I guess I wanted you to say that in that case, SkyDome has no further sense of responsibility now for the development of improved road networks and parking facilities, to get to them as things are changing in that area. You have got the dome built and you have got your budgets, and we have seen them, but you do not plan any variance now on what will have to be done nor will you be playing a role in it.

Mr Magwood: That is correct. As we see it, our role is complete, our cost exposure is complete; the fact it is there, it is in place. That is one that does not have a variable attached to it and there is no additional allowance for further expenditures within the budget, nor is there a need for it, nor do I see a vulnerability for us.

Mr Cousens: Have you considered the possibility of Metro Toronto restricting SkyDome events because of the conflict they could have on traffic congestion simultaneous to Toronto closing down to go home in an afternoon? Has there been any discussion on what is going to happen as we continue to have the congestion building up, what you could call gridlock, when you start having a SkyDome event at the time of Toronto trying to go home at night? Has there been any discussion as to what could be done to circumvent the increasing worries many of us have about that potential gridlock for Toronto?

Mr Magwood: We have got several jurisdictions that are in the act here. Metro itself has jurisdiction with respect to Spadina, and the Front Street extension is one of the items that is under discussion, as you may know. The city of Toronto has jurisdiction with respect to the balance of the road system. The Ministry of Transportation, of course, is in the act with respect to subsidies that come from that end back into road improvements.

We have GO Transit, we have VIA Rail, we have CN Rail, CP Rail, Marathon, CN Real Estate, we have Toronto Terminals Railway, which is the agency for both CN and CP. There is a whole host of characters in the act who do not get along together, let alone like each other, who would have to have their smorgasbord together to really come up with a comprehensive and meaningful program. That is a bit of a cynical comment, but having tried to wade through the middle of some of this, it is tough sledding.

There has been no discussion on limiting numbers of people for events.

Mr Cousens: I am saying limiting events.

Mr Magwood: Or limiting the number of events. No, that has not been discussed at this point. I would think and hope that it would not be necessary because of when those events take place and because of the preponderance of the use of public transit.

Interjection.

Mr Cousens: As Karl is saying, my concern has to do with weekday afternoons, with certain timings there. I just raise it as a question. It is obviously one that you have given some thought to but you have no idea where it would come from when the arrow is flying through the air, whether you need to duck or realize it is worthy of who is sending it to you. I think it is a concern to many of us, though.

I have a couple of other issues on which I have brief questions. Mr Ballinger wanted to ask something about transportation. If you want me to hold off for a minute, I will.

Mr Adams: Mr Chairman, if I might, if you are wrapping that up: The last time you made a presentation I was very interested in how proactive you were in getting people on to public transportation, and you have just reported on the results of that and so on. Because that is the way I had always travelled, I had taken it for granted that people were just going on public transportation. I thought this was great. Yesterday I was talking to a young couple who had been to the stadium three times—my riding is Peterborough—they drove each time and said they had no trouble finding a parking spot. In other words, they had not contemplated going by public transportation and have had no difficulties at all.

My concern, and Don was leading you around that, is that in the future have you—or they, whoever you think of it as now—given any thought to being perhaps not equally proactive about it, but proactive; in other words, in the future, trying to keep people on public transportation?

Mr Magwood: No, I do not think so; that has not been the plan so far. That may become necessary. If people who want to come to this facility can do so easily now using public transportation, then we hope they will continue to do so. I think a large number of people have discovered public transit through this building. It is just plain easier.

The other thing—and the reality is that we have to be careful not to articulate it this way, because this is not our strategy—in fact is that if you came by car and parked, it may have worked pretty well for you too. It has worked well for the people from Peterborough. What we do not need is for the pendulum to swing the other way all of a sudden, and then we are going to get this gridlock situation.

Mr Adams: But you are going to sit and wait. People from Peterborough also use GO Transit; they drive to Whitby and come that way. They are doing it. I am just concerned, if this couple is any indication, that there might be a drift back to the old pattern quite quickly now that in fact your campaign is finished, and so on.

Mr Magwood: This is one with which we will probably have to learn to swing. I know the kinds of things we have talked about and David Garrick is great at this kind of thing: People who come by public transit are the only ones who qualify for a draw for a new Ford, there is some kind of voucher or discount available in souvenir shops or there are any number of things where from an operational point of view, the incentive can be bred into continuing to use that route.

Mr Cousens: I think that Peter is right on and just to tie into it, one of the things we talked about in the last presentation you made was some

kind of co-ordinated plan for transportation. What Peter is really saying, and that is where I am coming from as well, is that it is not something you can say is done; it is an ongoing responsibility on the part of all major players. You are one of those and I think it is something—not that you would not; you probably are not going to be there to do it—that corporations should be very much aware of, because the city is changing shape and that is ongoing; it is continuing to push for public transit and then there is the parking. There will be events where you are going to need more services around.

I have made the point and I think you are sensitive to it as well.

Mr Magwood: I should not say this, but what is lacking is leadership and co-ordination among all the people who have a vested interest and a responsibility in this whole area. Transportation includes the whole network of moving people, whether by automobile or any other means; it is missing. It just ain't there.

Mr Cousens: That is my feeling as well. Just on a friendly note, I think we all have been pleasantly surprised about your public relations, getting people on to transit and different things; it has been refreshing to see it happening. I have even parked at Queen's Park to walk down there and that is more exercise.

Mr Ballinger: You just did that to save \$7.

Mr Cousens: That is right.

I am concerned about your borrowing rate and your finances. You are at 11 per cent now and you have your financial geniuses all around you. What happens if it goes to 12, 13 and 14 per cent? Your figures can change dramatically at that point and this can cease to be as attractive an investment. I mean, we are into beautiful times. You have the stadium filled, you have a pennant race on and it is really a good feeling for all of us, undoubtedly. Yet, with the kind of planning that goes in there, could you give us some sense as to what your concerns are as they would respond to my view that interest rates could change for the worse, the impact that would have on you, what that debt ratio means and just what could happen in the long term?

1520

Mr Magwood: The interest rate that we are carrying through these projections is 11 per cent. You are quite correct. At this point in time our borrowing rate is in excess of that, so we have used some historical reference in terms of selecting that particular rate. We are now negotiating, and hopefully Jamie and the financial people will have nailed down within the next very short term, a long-term fixed rate which will be less than the 11 per cent. Our desire is, just as I think you have indicated, to breed as much certainty into this package as we can through a long-term arrangement at a low long-term rate.

Mr Cousens: Okay. That is good. It is probably offshore money too, I would think.

The Chairman: Does Mr MacArthur have anything to add to that?

Mr MacArthur: Not really. We are just beginning negotiations, and to begin to talk about what interest rates are being discussed by the different groups probably is not appropriate. But as Chuck said, we have indications in

letter form that we can do better than the 11 per cent over the term we are carrying our projection.

Mr Cousens: That is good. What are your receivables like? When you went and sold all the boxes, people probably did not think too much of there being receivables. Do you have any and what is your situation there?

Mr MacArthur: Our receivables are in good shape at this point in time. Frankly, there are a couple of boxes that have some work left to do on them and they have not paid us their most recent instalment yet. Other than that, the club seat money is in and the box instalments are in. Metro, another large receivable, is sticking to its payment schedule with us, of course. We do not really have a receivables problem at the stadium. We have collected the money. Advertising is up to date. That is on the capital side.

On the operating side, we are fortunate to be dealing with companies like the Blue Jays, McDonald's, etc. The cheques arrive on the day the contracts say they are to be there, so we have not had any collection problems to speak of.

Mr Ballinger: If it is anything like the Maple Leaf Gardens, if you do not pay, you do not get your seat. Harold thinks nothing of giving it out to the next guy.

Mr Cousens: That is what I like to see.

What would be the total amount of money in that 38 per cent from McDonald's? This is tying into something that Karl was saying earlier. How much will that result in for the stadium corporation? What would you forecast that 38 per cent to be?

Interjection.

Mr Cousens: Oh, that's right. For non-Blue Jays games it goes to the stadium, and for the Blue Jays games it goes to the Blue Jays. Is that not right? Do you report to the Blue Jays as well?

Mr Magwood: It appears that taking into account all the various events that we forecast for the year 1990, and this would include the Jays, the Argonauts and all of their various events, the return, the gross payment if you like, from McDonald's to us is in the order of \$4.5 million.

Mr Cousens: In one year?

Mr Magwood: In one year.

Mr Morin-Strom: Does that include the payment to the Blue Jays?

Mr Magwood: That is the net share to the stadium corporation.

Mr Morin-Strom: So the Blue Jays will be collecting what? The Blue Jays have more than half the events, do they not?

Mr Magwood: That is right.

Mr Morin-Strom: So it would be something bigger than that for the Blue Jays.

Mr Magwood: I do not have the information of what goes to them. I can certainly work it out, but I do not think it would be appropriate to do that. Of that \$4.5 million, what we know is what portion is attributable to the Blue Jays game period. It is a significant portion, obviously.

Mr Cousens: I have two more questions and then I will take a holiday on it.

How could you miss the realty taxes for the city of Toronto? One of your variances happens to be on appendix 2 of your SkyDome project budget and it is item 212 6290, realty taxes. Your budget had zero dollars in there, which happens to have been an oversight of \$1.18 million. Could you give me some explanation?

Mr MacArthur: There were negotiations going on at the time with regard to whether there was going to be a partial assessment or not, and coincidentally with this project, that seemed to hinge around the fact whether there is a roof on the building or not. Our roof was one that was going up and was not able to be closed, etc. We had indications that there would not be a partial assessment put on the building, but in negotiation with the assessors we were not successful with it and that is simply where we ended up on it.

Mr Cousens: You were not successful?

Mr MacArthur: Right.

Mr Ballinger: Wait until Metro brings in Metro-wide market value assessment.

Mr Cousens: Oh, yes. I would say someone was very optimistic when you formed your budget. I just make that as my statement. Someone was in a dreamland when they did not have any figure at all in there under realty taxes.

The Chairman: Mr MacArthur, do you have a comment?

Mr MacArthur: No.

Mr Cousens: I think he is very wise.

Mr Magwood: He had one and decided not to make it.

Mr Cousens: The only other area in which you could well have some very large costs has to do with air-conditioning. Don't other domes have air-conditioning? Certainly, during certain events it can become not a little warm in there. What are your plans to handle that air flow and release some of the heat and air congestion that is possible in the place?

In other words, a lot of them have air-conditioning and they keep them at 72 degrees inside even when they are closed. Do you have any plans for that or how do you plan on solving that?

Mr Magwood: The building is heated and it is totally air-conditioned, so within the overall operating cost estimates that we have—we have within these forecasts \$20 million a year to operate, as an operating expense, the building—that is one of the elements we have put into it.

Mr Cousens: It was not working for Les Misérables.

Mr Magwood: Les Mis was an interesting situation because the roof opened during the performance, if you remember, and we had this problem. This is where you learn, we learn and they learn. We were asked by the promoters of the event to turn off the air-conditioning before the event actually started because of noise. Noise was a problem throughout, if you were there.

The vendors have to learn to not talk to each other because it is not like a rock concert where you cannot hear anything anyway, nor does it matter, or like a baseball game where everybody is shouting at the same time.

For that kind of performance, all of a sudden, a stadium is being asked to be quiet, and that included also the rush of air and so on. So that system was turned off before the event started. Then there was a little problem of another sort that had to get worked out, so people were a little warm in the first half, until the roof opened, and then it was fine.

The Chairman: Are you finished with your questioning, Mr Cousens?

Mr Cousens: If I had a chance for one quick one, it would be only: What would be the lost revenue by not going for the originally forecasted number of seats that you had—54,500—to the number you now have of 50,000 for baseball?

Mr Magwood: I do not know what that calculation would be exactly. One of the points through the piece was our own decision, by adding certain elements, to actually lose some seats. That was through the development of the north end of the stadium. In other words, that original number that someone mentioned at the very beginning—they referred to 54,500 actually—was a historic number which was reduced to 52,500 and that is really the point that we are focusing on now. It was because of the development of the north end of the stadium for some of these other uses that are up there; the restaurants and so on.

We lost something there. The point is that we lost none of the seats between the foul poles for baseball. The guideline that came from the Toronto Blue Jays and what they were intent on was to maximize the number between the foul poles. They wanted 41,000. In fact, we have 41,000 and change between the foul poles. From the Toronto Argonauts, the guideline was to make a certain number of seats between the goal lines, and that we made. What was lost was seats in the end zone and/or seats in the outfield, and the tradeoff was to add certain other elements and replace those. We did lose some seats because of that conscious decision.

Mr Cousens: One joke that some of my friends were saying is you will have to consult Harold Ballard and he will show you how to hang some seats from the roof in case you need to increase the numbers for the National Football League.

1530

Mr J. B. Nixon: My understanding is that the entire cost of this stadium is \$532 million. Is that correct?

Mr Magwood: The cost of the stadium, excluding the scoreboard and advertising package, is \$532.2 million.

Mr J. B. Nixon: Those moneys have been spent and approved by the board of directors of the stadium corporation. What is the outstanding indebtedness of the stadium corporation?

Mr Magwood: Let me come around on the question in a couple of ways. The current budget of \$532 million was approved by the board of directors of the stadium corporation on 13 July. It was also approved in advance of that by the joint finance committees and so on. The anticipated borrowing required to fund the difference between the equity, which has been raised and will be raised, of \$295 million and that cost is \$237 million. That is what will be borrowed from the bank. What we have lined up against that is a line of credit of \$250 million, which in turn finds itself in the term sheets you have. It shows itself as \$266 million.

Mr J. B. Nixon: Where does that show up? Just help me, because I have so many papers here.

Mr Magwood: You have a page that summarizes cost, and the second page summarizes receipts.

Mr J. B. Nixon: I may have that. I am just checking.

Mr Magwood: It is in advance of the cash flow. I do not know how yours is stapled together.

Mr J. B. Nixon: I will accept that it is in there.

Mr Magwood: If you turn to the back—it looks like you have it stapled together, so go halfway through.

Mr J. B. Nixon: I have the SkyDome capital cost summary.

Mr Magwood: The page after that has receipts, still headed up "Capital Cost Summary." There are two pages of the capital cost summary.

Mr J. B. Nixon: Okay, I have it.

Mr Magwood: If you just put those two in front of you and take the page that has receipts, then we can come to it. Halfway down it compares the 11 August budget in the left column, which was our figure of \$427 million, to the 13 July number with the variance beside it. It shows there that the total receipts currently estimated are \$295 million and expenditures in excess of receipts are \$237 million. Down at the bottom it shows how the banking arrangements have been revised to accommodate that situation.

Mr J. B. Nixon: Is the banker the Canadian Imperial Bank of Commerce?

Mr Magwood: Yes.

Mr J. B. Nixon: So this \$237 million effectively, right now, is guaranteed by the provincial government?

Mr Magwood: It is supported by the provincial government by virtue of what is known as a comfort letter in acknowledgement.

Mr J. B. Nixon: For the layman, a guarantee?

Mr Magwood: Yes, an insurance.

Mr J. B. Nixon: What does it assure? It assures that if the stadium corporation is unable to pay that indebtedness, the province of Ontario will; does it not?

Mr Magwood: What it does is say that should bank arrangements not be available, should the consortium members not come forward collectively to pick up their obligations, in such a condition the government itself would backstop the overall arrangement and ensure the repayment of the debt.

Mr J. B. Nixon: The intention is, as I understand it—help me here—to at some point take out these term loans and the line of credit with a permanent borrowing from the CIBC. Is that correct?

Mr Magwood: No, the long-term arrangement will be with another lender. That is not what is under negotiation. The CIBC arrangements are now currently 15-year term loan arrangements. What Mr MacArthur referred to earlier was a negotiation which is an attempt to replace that with a long-term arrangement with a third party.

Mr J. B. Nixon: That term loan arrangement is included in this package, I take it.

Mr Magwood: Yes.

Mr J. B. Nixon: It says "repayment"—this is in the summary—and it refers to facilities A, B and C. What are they?

Mr Magwood: The bank arrangement has broken it up into different pieces, because that is the way they organize their life. One arrangement takes care of the construction phase, another takes us up to the partnership forming. If you will just give me one minute, I can do this for you.

Part 1, facility A, is the situation up to the formation of the partnership, which is several months from now. The \$266 million referred to there takes care of the \$237 million required for the stadium plus what we call the recourse portion of the scoreboard debt. Basically, that takes care of the situation in the next three months.

Then we move to part 2 and part 2 deals with the partnership on an ongoing basis. That is broken up, that same \$266 million, into two pieces. One of it is what is referred to as facility B, which is \$241 million, and secondly, into facility C, which is \$25 million. The reason for that breakout is that the \$25 million is a revolving line of credit with the bank, because the requirements for cash in the project go up and down, because we have significant receipts early in the year and it moves off to the end. But the sum of it is that it is \$266 million throughout the 15-year period.

Mr J. B. Nixon: I have looked at your statement of cash flows and I am just having trouble understanding when you project repayment of this outstanding debt.

Mr Magwood: I am not sure what chart you have in front of you.

Mr J. B. Nixon: The stadium partnership statement of cash flows.

Mr Magwood: If you look on that sheet, down at the bottom, about five lines from the bottom, what you will see over at the far right side, in the year 2004, a zero beside the terminal. there is the terminal and there are two different parts to it. There are two lines, an upper and a lower line.

The upper line is the 10-year arrangement. It is a 15-year arrangement with the bank. The first 10 years says that any available cash flow goes to

pay down the loan. Then it says that in the 11th year there is a calculation made of the then outstanding balance that has not been paid. It is divided by five and equal amounts are paid in each of the years, 11, 12, 13, 14 and 15. So this chart you are looking at says that based on our current projections, in the year 2004 the loans are paid off in their entirety.

Mr J. B. Nixon: What is the provincial operating loan? Is that the \$30 million we put in?

Mr Magwood: No. Up in that package, there is the build loan. The provincial operating loan is a build loan for \$4.7 million. That was a loan provided to the stadium back in 1985, I think, which is a noninterest-bearing loan, up to a point in time when it must be repaid. That starts as of 1 January 1990, I believe. Actually, I think this does not reflect it properly, but it should reflect for 1 January 1990 the first repayment of that \$4.7-million loan.

Mr J. B. Nixon: And the brewery loans?

Mr Magwood: The brewery loans are an accounting thing only. Really, it is a noncash item. This is where I need the genius to help me.

Mr MacArthur: The purpose of this schedule is to take our net operating income and put it on a cash-flow basis. In fact, the brewery loans get added up above and subtracted down below. They end up having a net zero effect. It just lays it out from our point of view. The breweries have loaned us some money interest-free.

1540

Mr J. B. Nixon: For what purpose?

Mr MacArthur: They put money into the project, and it is also a way for them to fund the payment of their boxes over time.

Mr J. B. Nixon: So this is their financial arrangement, solely for the purpose of purchasing their boxes? Or did the borrowing by SkyDome go for a specific purpose other than the acquisition of the box?

Mr Magwood: Can I try that? In lay language to me, the breweries put up \$5 million like everyone else, except they did not get equity. What they did, on their own advice, is they styled the contribution in a different way by way of a grant gift, in part allocable to the box which they had a use for. The breweries, in terms of rights, unlike all the consortium members, got only a box and some parking. They did not get equity and they did not get the preferred rights and the advertising rights. So what this is, as Jamie says, is the way our people have had to reflect that arrangement from an accounting point of view, but it basically all ends up at the bottom coming out again.

Mr J. B. Nixon: What is the nonrecourse loan?

Mr Magwood: The nonrecourse loan is a \$13-million loan from CIBC that relates to the scoreboard, meaning by nonrecourse that there is no recourse against the project. It is basically a self-financing aspect of this thing on its own.

Mr J. B. Nixon: Who is the secured creditor in all this, the CIBC? Are they first, not with respect to the screen but with respect to the stadium?

Mr Magwood: Yes. The CIBC has a first charge on assets.

Mr J. B. Nixon: Do we have any charge on the assets as a province?

Mr Magwood: No, at this point you do not, unless the cash flow deficiency arrangement clicks in. Should that happen, then the province has a secured interest and becomes a preferred creditor to the project.

Mr J. B. Nixon: Going back to the existing loan arrangement, it sounds like what is going to happen very soon—correct me if I am wrong—is that the facility A financing is replaced by the facilities B and C financing, and at that time the partnership comes into place, into fruition. Is that correct?

Mr Magwood: That is correct.

Mr J. B. Nixon: I understood previously—and I may have misunderstood—that the partnership did not come into effect until the later of opening day or the day that the bank loans fall below \$50 million.

Mr Magwood: What you are referring to is ancient history in terms of the way it was structured. That was the situation when the project was where it was in early 1986. The way it is structured now is that the partnership comes into place the later of the opening and the date when the overall term arrangements with the CIBC have been put in place, secured and approved by all involved. So right now, that is virtually complete and it is now with the solicitors at Tory, Tory, DesLauriers and Binnington and Fasken and Calvin to put together this partnership as quickly as possible. It may just be weeks away right now.

Mr J. B. Nixon: The decision was taken, I assume, to change the agreement by the board of the stadium corporation, correct?

Mr Magwood: Yes, as well as the board of the consortium.

Mr J. B. Nixon: I assume that is one of those votes, that is, a decision that would have been put to a vote of the directors and would have required a 75 per cent majority?

Mr Magwood: That is correct.

Mr J. B. Nixon: One of the many effects of that change is a change in the nature of the structure of the management corporation of SkyDome once the partnership kicks in. Is that correct? I should know, but I do not know.

Mr Magwood: Let me just try to help you with this in two ways. As the project changed and as it became a more expensive and larger project, the budgets that related to that had to be approved by the stadium board itself and its finance committee, by the consortium, its finance committee and the joint finance committee. So in other words, there was a holding of hands as this went through.

In addition to that, the Treasurer (Mr R. F. Nixon), through his representatives, and the Treasurer himself, would review and accept the budget as the project grew. As that happened, implicit in that was the change in what used to be a \$50-million figure, which as I said, was ancient history in terms of the turnover of this for the partnership. So all parties, having now approved this project of \$532 million, have basically approved whatever the new number is that replaces the \$50 million.

Mr J. B. Nixon: Okay. When that shift in financing occurs and the partnership comes into existence, what happens to the government's assurance, as you have been calling it, or guarantee, as I have been calling it?

Mr Magwood: It does not change. In fact, it is not yet in place, because the stadium has been built by Stadco. The contracts are with Stadco, so basically it is a crown project, subject to a loan arrangement from the consortium. The partnership being formed—let's call it two months from now—at that point, we will have partnership financing, partnership obligations. It is at that point through the partnership agreement that the letter of comfort, which is the backstop from the province, clicks into place. It becomes effective really as soon as the partnership is formed.

Mr J. B. Nixon: You were the chief executive officer of Stadco, which is a crown corporation. What is the benefit to the province of Ontario of that event occurring?

Mr Magwood: Of the partnership forming?

Mr J. B. Nixon: Yes.

Mr Magwood: There is really no difference between the situation as it has been and the situation after the partnership formed other than that there is a structure that happens to be there. I am not trying to treat it lightly, but it is a legal creation, if you like. The reality is that the moneys have been put in by both parties and responsibilities assumed by both, and all it is doing is putting into place the agreements that have been contemplated now for three years.

Mr J. B. Nixon: Who desired the change in the structure? I had understood the original agreement, as was—I did not realize there had been changes in the agreement subsequently to call for the earlier creation of the partnership. Who desired that change?

Mr Magwood: I am not sure that we have that quite straight. There has not been a change in the agreements other than in the quantum of the \$50 million that you referred to. That number is the only thing that changed. It had to change as the project changed and grew.

The balance of the arrangement in terms of the timing of the creation of the partnership is as it has been now for three years, which is that it would be formed as soon after opening as possible basically, as soon as people could get their act together, which is what has happened. There has been no change.

Mr J. B. Nixon: But someone mentioned to me that the decision—was there in the agreement?—I hate to be lawyerly—

Mr Ballinger: We knew you were not an accountant.

Mr J. B. Nixon: In the original agreement that contemplated the formation of the partnership, was there a specification or a term which allowed for an adjustment in the \$50-million amount, or did that just get adjusted by the board sitting around?

Mr Magwood: Yes, the parties to the agreement agreed to the amendment.

Mr J. B. Nixon: Okay. If you can bear with me for just a moment—

Mr Morin-Strom: Could I ask a supplementary?

Mr J. B. Nixon: Yes.

Mr Morin-Strom: With regard to the kind of detail that Mr Nixon is getting into on the arrangement, I wonder if you could comment on the tax implications and whether there was pressure from the consortium partners to ensure that they got the most favourable possible treatment of, particularly, I assume, the \$5-million upfront payment. Did they get agreement from the federal and presumably then the provincial government, for example, that the \$5-million payments could be written off in one year?

Mr Magwood: No, they are not written off in one year.

Mr Morin-Strom: I am talking about for tax purposes.

Mr Magwood: The tax structure of this, obviously, is very sophisticated and well thought out by the advisers who have been party to it, and a tax ruling was sought on a number of the different elements of the project so that this structure that we have just been discussing right here has been sensitive to the particular tax position of the consortium members and their own investment.

1550

Mr Morin-Strom: I assume the detail of how the final partnership worked very much involved tax considerations by the consortium partners and their desire to get the most favourable possible ruling.

Mr Magwood: Yes, they were advised by their tax people, as we were, through the piece. I think the essential thing from the point of view of the stadium is that the moneys were received when we needed them and that we ensured that we had a flow of equity to fund the construction as we went through it. Second, we had the appropriate documentation to ensure that the train of events were well described and there would be no confusion later on. In both of those cases it has happened. It has worked. There has not been a problem with it.

Mr Morin-Strom: Do you know if the provincial Treasury and/or the federal Treasury have done an estimate of what they would call the tax expenditure for this project?

Mr Magwood: No, I do not know that.

Mr Morin-Strom: Mr Nixon probably knows.

The Chairman: That is a question you can ask of the deputy minister, if you wish.

Mr J. B. Nixon: I have no idea.

Going back to the loan agreement, part 2 refers to the SkyDome partnership being formed by Stadco, Dome Consortium Investments Inc and possibly a newly formed publicly held corporation. I understand that at some point someone said, "Maybe we'll take this thing public." Is that decision being seriously contemplated by the board?

Mr Magwood: Yes, it is being seriously contemplated. The decision as

to the quantum and the timing is what is left, and that is now under consideration by the advisers who are responsible for it. But the feeling at this point is that the quantum should be in the range of what is shown in the material, which is \$25 million or \$30 million, and the timing is one that perhaps should be next spring.

Mr J. B. Nixon: So the public offering would be effectively to take out the facility C borrowing. Is that correct? I understood that to be the \$25 million.

Mr MacArthur: No, we would always retain the revolving part of the facility. We would just have a lower fixed portion of long-term debt.

Mr J. B. Nixon: So it would just be facility B?

Mr MacArthur: Right.

Mr J. B. Nixon: I am stumbling around this issue. What happens when the partnership is formed, not financially but in terms of management?

Mr Magwood: What happens is that the two corporations that now exist, corporation 1, which is the Stadium Corp of Ontario Ltd, and Dome Consortium Investments Inc, which is the corporation for the consortium, continue to exist. They then form the partnership. The partnership itself now inherits the management team. The people who are out there doing their work who are now employees of the stadium corporation become employees of the partnership.

What is now a board of directors for the stadium corporation becomes more passive. It does not have much to do other than it is one of the partners of a partnership. What becomes active now is the management board for the partnership, an executive committee for that board, which is a much more manageable group in terms of numbers: seven rather than 62 or some such number, which apparently is the size of the management board. The reporting mechanisms and the meetings and so on are in the partnership. It is more of a legal creation than a matter of practicality because that is really the way things happen now already.

Mr J. B. Nixon: Effectively, you are saying the seven or eight people who make the decisions right now will form an ad hoc executive committee?

Mr Magwood: That is right. Today, we have what we ourselves call an operating committee. The operating committee is made up of 12 people, so at any particular meeting there might be eight or ten. It is representative from both the consortium side and from the public side. If you like, it is the group that is closest to the day-to-day activity for the stadium. It has been meeting on a weekly basis, back over the course of the last three and a half months or so. Management comes to that group, says what is happening, asks for help support, seeks decisions that are necessary and we go on with it. That really has been, if you like, the executive committee as it will be for the partnership.

Mr J. B. Nixon: Have there been any votes by the management board that require a 75 per cent majority? I mean obviously some of the decisions to spend more money than originally budgeted.

Mr Magwood: Yes. Remember here that the management board does not exist yet and will not exist until the partnership is formed.

Mr J. B. Nixon: Oh, right. Okay. Sorry.

Mr Magwood: But the reality is that those 75 per cent major decisions, if we can call them that, are treated as such by both the stadium corporation and the consortium. The way things work in our experience is that unless---I mean something is either acceptable or it is not. It really does not turn into a matter of having to count the votes.

Mr J. B. Nixon: I have no further questions but for one. Did Metropolitan Toronto councillors receive free tickets for the opening of SkyDome, or was that quashed?

Miss Nicholas: Good question.

Mr Magwood: No one got freebies that I am aware of. They had to buy their tickets.

Mr J. B. Nixon: Good. Thank you.

Mr Magwood: Furthermore, they are not going to get their \$30 million back.

Mr J. B. Nixon: That is fine.

The Chairman: On that question, perhaps it is a good time for us, rather than start a new questioner, to conclude for today.

For the information of the committee—

Mr Ballinger: Does that mean we are cut off, Mr Chairman?

The Chairman: No. It means that you are on tomorrow. For your information, Mr Ballinger, you are on second tomorrow. Mr Adams is ahead of you and you are followed by Miss Nicholas, Mr Morin-Strom and Mr Cousens. Does anyone else wish to be put on the list? I want at least to give everyone an opportunity to have one set of questions, and then we can recycle you back on the list again: Miss Fawcett and Mr Nixon again.

I want to thank our guests, Mr MacArthur and Mr Magwood. Judging from the interest, I think we will have a great number of questions again tomorrow. Thank you for your participation. We look forward to seeing you at 10 o'clock tomorrow morning.

The committee adjourned at 1557.

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P-11a

STANDING COMMITTEE ON PUBLIC ACCOUNTS

SKYDOME

TUESDAY 12 SEPTEMBER 1989

Morning Sitting



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Philip, Ed (Etobicoke-Rexdale NDP)

VICE-CHAIRMAN: Pouliot, Gilles (Lake Nipigon NDP)

Adams, Peter (Peterborough L)

Ballinger, William G. (Durham-York L)

Charlton, Brian A. (Hamilton Mountain NDP)

Collins, Shirley (Wentworth East L)

Cousens, W. Donald (Markham PC)

Fawcett, Joan M. (Northumberland L)

Nicholas, Cindy (Scarborough Centre L)

Nixon, J. Bradford (York Mills L)

Villeneuve, Noble (Stormont, Dundas and Glengarry PC)

Substitutions:

Dietsch, Michael M. (St. Catharines-Brock L) for Ms Collins

Morin-Strom, Karl E. (Sault Ste Marie NDP) for Mr Pouliot

Clerk: Manikel, Tannis

Staff:

McLellan, Ray, Research Officer, Legislative Research Service

Witnesses:

From the Stadium Corp of Ontario Ltd:

Magwood, Charles, Past President

MacArthur, Jamie, Vice-President, Finance and Administration

Peddie, Richard, President

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday 12 September 1989

The committee met at 1015 in committee room 2.

SKYDOME
(continued)

The Chairman: I am going to call the committee to order. Mr Cousens has telephoned that he is stuck on the highway.

Mr Ballinger: We just spent \$2 billion on the greater Toronto area and he is stuck in traffic.

Mr Dietsch: He is probably checking out affordable housing in Markham.

The Chairman: He assured me that was not a political statement, that he was stuck on the highway, and he was gracious enough to suggest that we continue in his absence. Mr Adams was next on my list. If you would like to come forward, Mr Adams has a question or two.

Interjections.

Mr Ballinger: Chuck must be gun shy from yesterday.

The Chairman: Chuck, if you do not come forward, Adams will ask me the questions. I prefer the other way around.

Mr Adams: That is right.

The Chairman: Okay, Mr Adams.

Mr Adams: I will wait until Mr Magwood is ready. I have plenty of time. He was here early so—I will start then, if I might.

Mr Magwood: All right, but perhaps just one comment: Today, we brought along Richard Peddie who is the new chief executive officer of SkyDome. He is the young, fresh-faced, youthful character just behind me here. He is someone you asked to come along, so Richard is here, available to answer whatever questions you might want to direct his way.

Mr Ballinger: See how young he looks a year from now.

Mr Magwood: We all started looking like that.

Mr Ballinger: You did have a bit more hair last year, did you not?

Mr Magwood: We have also John Kravis here today. Mr Floyd of RPA is not here today. He is on call and available, should we need him. Messrs Connell and Davis made their appearances yesterday. I do not believe they are appearing this morning. Once again, they are available if we need them.

Mr Adams: Mr Magwood, yesterday Brad Nixon was talking to you about the partnership agreement and you led us through that in a sort of financial sense. He was talking particularly about the guarantee, the assurance, as you said, that the province has, which is part of the province's obligation. I wonder if you could talk to us a little more about the partnership agreement and the rights and obligations of the province, or to put it another way, what are the rights and obligations of the partners apart from the guarantee? I assume the province is simply one of those partners.

Mr Magwood: It is a partnership that is really a very typical partnership in every other sense, in that probably the only aspect of it that is not a typical partnership is the cash-flow deficiency arrangement, which is a specific section within the documentation. Apart from that, it is a partnership in the sense that there is representation in terms of equity sharing that is proportionate to the particular investments of the parties.

In the case of the province, for example, the numerator in determining the cash flow that would flow to the province would be \$60 million. The province is the beneficiary of the Metro grant that went to the province, and in turn the \$30 million from the province plus the \$30 million from Metro have formed, if you like, the credit in favour of the province as its capital contribution to partnership.

In the case of the consortium, at this point, the numerator for their sharing is \$5 million multiplied times the number of partners, which is 27 today. It excludes the breweries in terms of their sharing. The denominator in the equation therefore would be \$205 million, which would be \$145 million plus \$60 million, so the province's sharing is 60 divided by 205 in terms of whatever the benefits are that flow from the facility.

1020

Probably another exception to the general partnership rule is that with respect to the voting and decision-making powers, the province maintains a control position, so that even though the province has 32 per cent of the equity, it enjoys 51 per cent of the votes. In the formation of what is really the board of directors of the partnership, which is known as the management board, there will be something like 61 members, as we mentioned yesterday. That is determined by taking the number of consortium partners, which is 27, adding to it, I believe, the number three, matching that with the province and adding two more so that there are always two more representatives on that management board representing the provincial side than there are from the private company side.

An exception to the normal partnership arrangement would be in terms of the voting, and that applies not only within the management board, that is, the big board of directors, but it also always applies with respect to the executive committee. As for the executive committee, which would be very much the hands-on authority in terms of making decisions, the province will always have a majority control position within that group.

There is provision that is also very typical with respect to quorums, with respect to notices for failure to show a quorum and then form new meetings for it. There is a very typical provision that deals with majority decisions; that is, there are certain categories of decisions that are deemed to be of particular importance, such as matters that deal with significant borrowings, capital decisions, disposition, approval of the chief executive officer, major lease transactions and so on. Things that really are

fundamental are elements that require a 75 per cent majority within that board to make decisions.

That is a fairly long answer.

Mr Adams: No, it is good. As I see it, you are partners. When you mention the \$5 million, is the equity they have for that \$5 million not in fact only \$500,000?

Mr Magwood: That is correct.

Mr Adams: Just so I understand it in my own mind, they have \$500,000 equity. If we have \$60 million equity, are we the equivalent of 120 partners in any way?

Mr Magwood: No. It is a bit confusing. There is a split of common and preferred shares. There is also a split within the contribution of \$5 million that is made between what is attributable to the purchase of rights, what is attributable to the purchase of equity and what is attributable to a residual right, which is a renewal right after the 10th year.

Mr Adams: Sorry. The province is not involved in any of that.

Mr Magwood: No, it is not.

Mr Adams: About our \$60 million, which you carefully explained to us, these are the partners; 80 per cent or whatever it is of their moneys are involved in these things, which I understand are necessary to them. They certainly are not necessary to us. I just wondered how that affects our influence, if you like, or whatever, on the board and the executive.

Mr Magwood: I was going to explain the breakdown of the \$5 million, but perhaps that is not necessary. The formula for ownership of the facility, and similarly the representation on the boards, is a function simply of the gross investment. Forget the breakdown of \$500,000 within \$5 million that represents the investment in equity itself.

The split of nine to one, which is the way it works with respect to the consortium is the same; that is the mathematical calculation with respect to the province. The ratio will always be \$60 million to \$145 million or whatever other number of \$5-million units you put in. It amounts to about a third of the ownership, but as I say, 51 per cent of voting control.

Mr Adams: Okay. I just picked a hypothetical question, so it is not a court of law or anything. As for this \$5 million that the other partners have in it, are they getting their money's worth or are they getting more than their money's worth for the \$5 million? What are these other rights that the province does not have? If I could go out now—I know it is hypothetical because when you started you had to get people on board and all that kind of thing—if I had that \$5 million now, would it be a good buy?

Mr Magwood: First, it would not cost you \$5 million; it would cost you about \$6.15 million. There has been a mile-post set at which point interest started to accrue on the \$5-million investment so that for the last parties that are in, the last two investors that came in only a couple of months ago, their cost of entry was in the order of \$6.15 million or something like that.

Mr Adams: It was hypothetical anyway, because I do not have \$5 million or \$6.1 million.

Mr Magwood: You never know. You could get lucky. Maybe there is a lady waiting for you in the hall.

The rights that are enjoyed by the consortium members for the \$5 million would be as follows: First, they have the equity ownership within the facility.

Mr Adams: The \$500,000.

Mr Magwood: As we mentioned, \$500,000 of the \$5 million is deemed to be attributable to the purchase of that equity.

Second, they enjoy certain rights, if you like. There is an attribution of that of \$4.2 million. That bundle of rights includes the following: They have a private box and that private box is actually a 99-year deal. It is 10 years, as are all the rights, but that is renewable out to 99 years on the payment of an additional \$100,000.

In fact, just to go off centre for a minute here, of the \$5 million, \$300,000 is a payment that is made that gives you basically the right to get the option to extend it beyond the 10-year period. Frankly, that is an accounting thing to a certain extent, but that is the concept. So \$500,000 is equity, \$300,000 is residual rights and \$4.2 million is for this bundle of rights.

The real question is what is in the bundle of rights. There is within that the private box. There are parking spaces that go with that, initially described as six spaces. In fact, now it has been reduced to four. There was a provision it could be reduced and it has had to be reduced because of the number of people who have some interest in having those parking spaces. There is an entitlement to have an entrance gate named after you. You could have the Peter Adams entrance gate if you had your \$5 million.

Mr Adams: I like it.

Mr Magwood: The problem is that we do not have enough gates. At the beginning, when this thing was not designed, with few consortium members, there was a possibility of honouring, if you like, that commitment.

Mr Adams: You could allocate them in alphabetical order perhaps.

Mr Dietsch: But for your \$100,000, you get an extension ladder and a rope.

Mr Magwood: There is an entitlement to a form of recognition within the facility and that finds itself in the form of a souvenir book or something that deals with the entrance. Right now, if you walk in the building at the south end, there are two big plates that have electrified names within them. Those identify the names of the various consortium members. That is the way that particular obligation has been honoured.

There is a right to use the logo of the SkyDome. You can use that for corporate purposes. For example, the Toronto Sun may have as part of its letterhead, "A SkyDome partner, proud to be part of it." There are different ways in which, in a noncommercial sense, the various partners can align themselves with their investment in SkyDome and presumably enjoy some benefit

for that. Should they use that logo in a commercial way for which they would receive benefit, for example, stamping on a bag of potato chips or on the side of all automobiles, whatever, then there must be a payment made to SkyDome equal to the market value of whatever that particular logo is worth. That is a right, but the latter half of that is no particular discount; the first gets some special aspect to it. So as a founding member, there is some identity opportunity.

In addition to that, the two major things are advertising rights and preferred supplier rights. The way the advertising rights package works is that it is first right at market, first opportunity at market rates in favour of the party that exercises it to enjoy advertising within SkyDome. What that means is that on the big JumboTron or in the fixed sign messages that are in the concourse areas or in the ramps, the consortium members would have the right, the first opportunity, to take up that signage, but it must be at market.

Subsequent to the initial documentation, there has been an amendment whereby there is a minimum threshold, and this is something that was negotiated later, that the consortium members must purchase a minimum of \$198,000 per year of advertising in order to have that right sustained.

Let's take Ford Motor Co as an example. Having exercised the right, Ford Motor Co then has bought in excess of \$198,000 year on advertising for some period of time. In fact, it is five years. They do not have to look at signs from General Motors, Audi or whatever. They have protected their product category. The real fact is that with respect to advertising, the consortium as a group has purchased about \$7.5 million a year in advertising, which is a very significant amount. It makes up probably about 60 per cent to 65 per cent of our total inventory. The balance of that inventory is available for sale to third parties outside of the protected categories for the consortium members that have exercised it. They pay market value and for that they protect their particular category.

1030

The other element that is key within the \$5 million is the preferred supplier right. What that says is that the consortium member has the first right to provide his product or service, and that is defined in each particular consortium member's case, to the dome at market rate, which is a test in the marketplace. That was the item I think Mr Nixon was referring to yesterday as a reference of the geographic Metropolitan Toronto area.

That right means more to some than to others. It has involved more investment to some than to others. It has meant very little to some and has meant probably a good deal to others. Depending on how you look at it, the range would be that McDonald's, for example, one we talked about yesterday, has quick-service convenience foods and for that it has the right to provide that in the dome in accordance with market, etc. The Bitove Corp has that right with respect to fine dining, so it operates the fine dining facilities as well as service to the SkyBoxes. Ford Motor Co would mean that the car we came up in today, the van driven by big John Kravis, is in fact a Ford van, so for the employees and so on, any identity that relates to SkyDome, it will be on a Ford car.

That is not, though, to preclude us from being able to deal with the competitor with respect to staging of events. For example, right now we have a GM trade show and there are 1,600 General Motors cars that are out on the

field of SkyDome. That is an event that has been negotiated for which they pay rent. This preferred arrangement applies only to the supply of product to SkyDome. McDonald's is purchasing Coke at market and it is purchasing hot dogs and buns from Weston at market, etc, so it is the supply of product to SkyDome. That is a preferred right.

Mr Adams: Going back to my question, obviously they cannot just sit there and accept these rights. They have to continue to invest in the share that they have in the operation. It sounds like a pretty good deal.

My point was that the province does not have any of those things; nor should it. I am not asking now for a box or for the provincial logo to be put all over the SkyDome or something like that. But we have the \$60 million in it. They have \$5 million in, but for that, as you have just explained, they get a great deal in addition to the equity.

Going back to your description of the partnership agreement and the executives and so on, given that we have this \$60 million, which is real equity, which, as I said, is 120 times more than each of the other partners has, in the event in a few years' time there was something the province really disagreed with in the policy, the way the stadium was being run—I do not want to come up with what it is, but something—can we in fact control that? I am not talking necessarily about a financial thing. Let's say we disagreed with the colour, just to give you something like that, the way you are planning to paint the stadium in the next 10 years. Could we change the colour?

The Chairman: What colour did you have in mind?

Mr Magwood: Some of us may be pretty fussy about this.

Mr Adams: That is why I was trying not to think of hypothetical situations, but yes, you could imagine the colour.

Mr Ballinger: Soft pink; middle of the road.

Mr Magwood: I do not know whether I would trust you with that.

As a control position within the management board, management itself for SkyDome reports to that board. That is the supreme authority. These would be elements and aspects that would be on the agenda for discussion and so on, so the province, through its representatives on that board, would have a very strong say on what happened there.

Mr Adams: Would we have 51 per cent say? Could we actually stop it?

Mr Magwood: Yes, you would have a 51 per cent say.

Mr Adams: We could actually do that?

Mr Magwood: That is correct.

Mr Adams: Okay.

Mr Magwood: But one thing, just one other comment, if I can, Mr Adams, is that the province does have a SkyBox.

The Chairman: Oh, really?

Mr Ballinger: Even I knew that.

Mr Adams: I did not know that. I would not have asked the question if I had known that. That has really embarrassed me in Peterborough. They are going to wonder why I have not had tickets for it.

Mr Magwood: I am surprised that has not been offered to you for use.

Mr Adams: It is doubtless me. Go ahead; tell us about it.

Mr Magwood: There is a provincial SkyBox. It is furnished and anyone who-----

Mr Adams: What are the colours?

Mr Magwood: It is sedate. It is about the colour of these drapes in here.

Mr Adams: That is not bad.

Mr Magwood: It has a feel of class, royalty and good taste. Anyone who attends a function and goes to that box must purchase tickets like anyone else in the facility, but it is a right. In fact, it was a preferred selection, in terms of its location, over the consortium members. Their selection of boxes came after that which was selected for the province, as well as the one for Metropolitan Toronto, I might say.

Mr Adams: I feel obliged to point out, though, that it is the \$4.2 million part of the \$5 million, which I think is the most valuable, that the other people have. I am grateful to you for your answer.

Mr Chairman, if I could, and this is not a frivolous question, although most people seem to end, because SkyDome has this glamour and people ask about boxes and tickets and stuff: Metro and the province are now really committed. In fact, quite recently we have become even more committed to the bid for the Olympics. Has the dome in any way been involved in the bid for the Olympics, do you know, and if so, what sort of role have you had?

Mr Magwood: I can only speak from the involvement of our own management team. That is, there has been no specific involvement, really, whatsoever with respect to the Olympics. The role we have played is one where we have been supportive wherever possible in terms of entertaining and showing the guests and people the facilities that are essential to the bid.

I know we have had probably two thirds of the Olympic voting delegates within the facility. On one particular occasion, there were 43 who came at once, who we entertained. We set it up. We merely acted as a host to them for that function.

But from the point of view of the management team of SkyDome and its role within the Olympic bid, we have had none whatsoever. I cannot speak, though, to the roles of the individuals who make up the ownership group within the consortium.

Mr Adams: Is there any sense, then, in the event that we obtain the Olympics, of possible uses of the SkyDome during the games?

Mr Magwood: What we can do is act as a locale for the opening and closing ceremonies. It is ideal for a number of different kinds of events such as gymnastics, the one that is suggested to be there, and lesser mode activities—obviously baseball, if that were an event in the Olympics, would be ideal there. It does not appear that soccer could be. It cannot handle a 400-metre track and therefore that would have to happen somewhere else. Should there be a change in that requirement, then all track and field events could be held but it would have to be on a 300-metre track. So unless there is a change by the International Olympic Committee that cannot happen.

Mr Cousens: Could I have a supplementary on some of his questions? Who in the government has control of the box? If you cannot answer that, who have you seen there most of the time?

Mr Ballinger: What kind of question is that?

Interjections.

Mr Magwood: Excuse a tongue-in-cheek answer, but it is only appropriate that the transportation critic for SkyDome should be the one late because he had trouble with the transportation system. Perhaps if your criticisms bear fruit in the future, you could be more diligent in being on time.

Mr Cousens: The dome was not open this morning.

Mr Magwood: Frankly, I do not know. I know that through David Garrick, who is in our office, there is a liaison with a government individual who takes care of the designation of that, but really the province has its own box. It has the right to use it. It has the key to the door.

Mr Cousens: Could you see—

Mr Magwood: I have seen it being used for all baseball games, I would say. It is well used for baseball. Whether it is used for other events, I cannot say.

Mr Cousens: Could you pass back to the committee at some point who it is who is responsible for the box for the Ontario government?

Mr Magwood: I am delighted to do that.

Mr Ballinger: It is an interesting committee we have, where we all attempt to be as nonpartisan as possible.

Mr Cousens: I am wearing a red tie today.

1040

Mr Ballinger: There are always philosophical differences of opinion on how facilities like the SkyDome should function. Listening to Karl yesterday, I was sort of interested in how he tried to describe the class distinction in SkyDome. I think the most unique part of this process we are involved in is that you are here before us not asking for more money. Politicians are not used to that.

My background is municipal, and of the 837 municipalities in Ontario, I think there are three arenas that operate in the black. Every politician would

love to have a private-public sector agreement, I think, with every arena so that we would not have to go to the mill rate on a constant basis to subsidize recreational facilities.

I guess I find the unique part of SkyDome that you are in a heck of a lot better financial position this time than you were when you came in before us last fall. Granted, the capital debt is higher, but certainly your revenues are considerably higher than you had anticipated. As I understand from what you said yesterday, all of that contributes to the so-called class distinction that was discussed yesterday.

The name of this game, as far as I am concerned from a public accounts point of view, is that I am really pleased that you are not back here asking the province to subsidize, in an operating sense, SkyDome. If people want to pay bigger dollars to increase the revenue, I think that is just great. I have been a season ticket holder at Maple Leaf Gardens for a number of years—I still keep the faith—and I have always found there is a direct relationship between the taste and price of the hot dog and the caliber of the entertainment you pay for.

I really believe that when the facility we now have is doing as well as it is, especially with the Toronto Blue Jays this year—the timing could not have been better, Chuck. I do not know whether you have a magic wand or what you have, but certainly this is a good year not only for the Toronto Blue Jays but also for the SkyDome because of the caliber of the entertainment that is being put on the field.

Mr Dietsch: Are the hot dogs better?

Mr Ballinger: I have been there. The hot dogs are fine. I just go for the entertainment.

I guess it is easy for all of us to second-guess some of the decisions you made. In retrospect, if I had anything critical to say about some of the decisions and some of the cross-marketing in the deals that were cut initially up front to make this private sector agreement work, it is that maybe we gave up too much. But when you look back two years, when you were really starting to put this thing together, who would ever have suspected it would be as successful as it has been? I guess we take that in stride. The bottom line for me, as a legislator and a member of the standing committee on public accounts, is that you are generating revenue. I think that is important to the taxpayers, that the government's commitment on behalf of the taxpayers is solid and is not being requested to be expanded.

Cindy touched on a thing yesterday, though, that with the process of operating SkyDome I think is absolutely important. When you watch an American telecast, as an example Monday night baseball, and the ball games are being featured in Toronto, the colour commentators spend the whole game talking about the dome, the facility, "the finest in North America, the only one with a retractable roof." George Brett is being quoted on all the sports pages in all of North America that it is the best stadium in both leagues and that in fact he would love to play here because who would not want to play in the best stadium in North America, as well as have an average attendance of 50,000 fans. Yesterday in Cleveland, the attendance was 12,000.

There is something that keeps coming out about SkyDome, I think in a very negative sense, that has bothered me. That has to do with not only the handicapped but the health aspect. Most of the negative letters to the editor

or any of the bad press the dome seems to be getting relates to people with health problems, cardiac as an example. We have all read about the problems.

In the weekend newspaper, there were letters to the editor back to back. One described a family that had come into Toronto and had gone to the dome. The husband suffered a seizure, went to three or four staff people, went to the police, could not get any consistency, could not get any assistance whatsoever. The next letter was about somebody who had gone and got fabulous service. There was a gate person there who helped them and took them to a special door.

It seems to me what we should be doing, because the SkyDome is not only a sports facility, it is going to become a tourist attraction in the truest sense of the word, it is going to be one of the best tourist attractions in downtown Toronto—it seems to me that what should be happening there is a game plan, a real overall game plan.

I know you discussed yesterday that once this is in place and that is in place the handicapped will have better access, and once all the elevators are working, but it seems to me there should be a master plan that deals with people who come to the dome, who for whatever reason—they are handicapped or maybe have some health problem—should be able to get immediate care.

One of the advantages of a public corporation like the province of Ontario supporting a facility like that is that it should entitle every resident of this province, and not preclude them from the opportunity to go there, with no fear that once they are there they could be in serious trouble. We are talking about putting a population the size of Pickering or Whitby or Peterborough in that facility every time it opens. You are putting a whole community in there.

If I had any criticism, it just does not appear to me that there has been enough thought put into how you deal with the magnitude of putting 50,000 people in that facility day in and day out. Other than that, from a business point of view, I think you should be congratulated. It is always great when someone comes in and says, "We're not here for more money. We're here to explain where we are at."

You do not have to comment. You chatted yesterday and touched on some of the points that Cindy had made, but it just seems to me that there is not quite enough emphasis on that part of the dome.

Mr Magwood: Perhaps I can respond to some of the comments you made. At the beginning, you made reference to a discussion yesterday that perhaps took out of context some comments that created a class distinction element to the design of the facility. My own reaction to that is that that is not really an accurate way to describe the way the design has come together.

Mr Ballinger: I agree.

Mr Magwood: Depending on your politics, I think it may be a convenient way of describing it. It is handy and perhaps simple, satisfying and palatable to you, depending on your particular bent, but that is not really what the thought was at all.

The number one, primary constituent and the boss, as far as I was concerned from day one, was the fan, and that fan is me and you and everyone else who comes to this building. I think what we have done within this

building is create a tremendous number of good seats that people can enjoy no matter who they are or where they come from, and I do not think that has been watered down in any way by the creating of certain other elements within the project that had a very true commercial aspect to it.

The fact is that this project being built in downtown Toronto had the potential to have some premium element built into it, which in turn could fund other aspects of it, which could convert this building from a pure stadium, a lifeless piece of concrete potentially, into a urban building. I think the thrust of creating more boxes on the box level and creating the club level was to cater to those who were prepared to pay for it and to do as well as possible from that and enjoy, as I mentioned yesterday, really an annuity in the ongoing financial basis and structure of support for this facility. That would be the emphasis I put on that particular point. That is only from my own perspective.

The second comment to react to, perhaps, is your feeling that if there is a criticism from your end, it may come with respect to certain of the cross-marketing arrangements and arrangements that have been put in place. I guess the reaction to that is that at the time the project started, no one foresaw the possibility of it being as attractive an investment as it has become. At the beginning, the consortium people and the major companies that made their investments here, did so very much out of community interest, really without any expectation of return. They just felt this was a good thing to happen. It has only been more latterly that it has become a commercial venture and therefore one where the value of the investment is even considered. I think that in some ways one can criticize certain of the contractual arrangements, but I think that in fairness you have to visit them in the context of the day in which they were made.

1050

Mr Ballinger: I qualified that.

Mr Magwood: Which I think you said also, but I think that is a fair comment.

With respect to the last thought, which is the focus on operation, I think there is a job that is being done. I think the job that is being done is a whole lot better than may be portrayed when one reads letters to the editor. We know that what is newsworthy out there is negative. There is a tremendous esprit de corps among the staff that runs the facility, and the people who come to it probably are greeted, usually and hopefully will always be, by friendly and knowledgeable people on the staff.

As I mentioned yesterday, though, there have been some surprises and also some growing pains the building is going to go through. I think a surprise has been the interest in the events by seniors groups, the interest from the handicapped community, interest from school groups; in other words, there is a number of other interests where there is a responsibility back, and I think part of Richard's background will do a job in focusing on addressing those people and those needs; perhaps he could comment on that.

One element to note also is that the Blue Jays do run this building when they are playing there. It is for them, and I think they are dealing with it, but this is a different set of problems than they faced at Exhibition Stadium, so I think they also are going through some growing pains with us.

Mr Ballinger: As a final comment, I would not want the negative advertising or the negative comments to preclude anyone from going there for fear that if they were there and something happened, they were not able to be taken care of. You are right, the negative stuff always rises to the top, but hopefully there is an opportunity there to put a plan in place.

Miss Nicholas: I was looking at your cash flowsheets, the cash flows, and I am a bit concerned about the upkeep of the building. I realize that may go under general operating, but I am just looking at ongoing capital expenditure. It starts off with zero in 1989 and then goes up to \$70,000, \$150,000, to the point where in the 2,000s it is up in the \$2 million range. Is that to ensure that the building remains in good shape? Is that to improve it as we go along? Is that for renovations, for general upkeep beyond painting and washing?

Mr Magwood: That is really for capital expenditures over and above operating expenditures, and operating would cover the very things you are talking about: painting, upkeep, facelift and so on. What has happened is that in the pro formas there has been a fund created for capital replacement and capital repair.

Miss Nicholas: Would replacing a broken chair be operating or capital?

Mr Magwood: Operating.

Miss Nicholas: A whole section of chairs would still be operating, if all of a sudden you needed 1,000 new chairs? I am trying to make the distinction. Is this a new health club or is this maintaining what facilities are already in existence to ensure that the SkyDome always looks as new as it did on 3 June.

Mr. Magwood: It would contemplate that there is no new development, but a replacement of something that had to be replaced that was of a capital nature and not of an operating nature. That is really the intent.

Miss Nicholas: What would be the difference between operating and capital in this instance? What can you envision? New ramps? Would that be concrete structure fixing?

Mr MacArthur: It is unlikely we would need a new ramp, but if significant generators need replacing or any of that sort of stuff, that would come under the capital, but the ongoing maintenance and warranties and all related to that in the early years are all covered on the operating side.

Miss Nicholas: It just looks so nice and new. It is nice when a building, after 10 or 20 years in operation, still looks rather new. I go to Maple Leaf Gardens now and it is starting to look rather run down. I would not have said that even a decade ago, but maybe by comparison it is showing its age. I had a sort of concern about that.

Is it true that 147 of the 161 SkyBoxes are spoken for or are all of them spoken for?

Mr Magwood: It is more than 147. It was 147 I think when we met with you last November. At this point, 151 have been sold; of the 10 that are left, four are used as part of the hotel. A group that takes a package of rooms within the hotel would have the right to use certain boxes that are adjacent

to the hotel; actually, we have now built them and incorporated them within the hotel. That is four of them. Three of them are part of the health club package, so that members of the health club will have access on a financial arrangement to three boxes. So we are actually using those and marketing them with them. Another three are being held as a group facility, so people on day of game could use them for groups. That adds up to 10, I think. That means they are sold. We are done.

Miss Nicholas: What happens if you have more consortium members?

Mr Magwood: Then what we do is cut into the group sale boxes.

Miss Nicholas: The extra three?

Mr Magwood: Yes. In fact, right now we have two major group sale rooms, which amounts to six boxes, and the additional group facility I am referring to uses another three. Should there be more consortium members, then theoretically we could take up to another nine by simply removing and eliminating some of the day of game group facilities.

Miss Nicholas: I see. So there is no restriction on consortium members coming in. You will find them a box if that is their primary reason for coming in as a consortium member.

Mr Magwood: It is getting difficult, because we are now into the outfield, what is left.

Miss Nicholas: So they certainly would not have first choice any longer or second; they would be way down at the end. Maybe that would be one of the main incentives for a new member coming in that may not enjoy any of the preferred rights you are discussing in terms of providing a product to you; that might have been a reason for them coming in.

You were talking about the advertising that was available on a preferred basis by the consortium members, buying it at market value, and once they had bought the minimum amount, you would not allow other groups supplying the same product to advertise within the dome. Did I understand that correctly?

Mr Magwood: Yes.

Miss Nicholas: So if they buy the minimum amount, they are insuring themselves the right—Coca-Cola, for instance, to have just Coca-Cola as the beverage.

Mr Magwood: Yes.

Miss Nicholas: Are you getting enough other advertising, or is the consortium so sufficient that it is taking up what you would call your major market share of all the other people who might advertise in the dome? Yes, you are getting a big group of money from them, but are there any groups left to advertise, because you have eliminated so many product groups? How are you finding that in terms of other advertisers who are coming in?

Mr Magwood: At this point, we have sold something in excess of \$11 million per year in advertising. Of that, about \$7.5 million has come from the consortium. So we have been able to find noncompetitive categories for the difference between \$11.2 million and \$7.5 million.

The only opportunities that have not been sold at this point are some times on the big JumboTron. Frankly, there is not a great rush to sell the balance, because the time is being well used for things that are just messages and matters of public interest. It could be, though, that there may be some other opportunities that could be found in the future, but it appears that there are enough categories that are noncompetitive that there is a pretty fair opportunity still left for us there.

Miss Nicholas: Where I am coming from is that if you cannot have another fast food restaurant, another beverage, another car—in Canada, we are limited to how many products would want to advertise in the SkyDome, and I wondered by the noncompetitive if we were restricting that.

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You said you had \$7.5 million assured advertising, which is a great position for you to be in, to know that you already have that much assured. You said that was 60—some—odd per cent of the market or of how much you expected to sell, so you are at about \$11.2 million. What is the percentage in terms of what you estimated?

Mr Magwood: In fact, we have already done better than we had budgeted for. We have done some revision to the budget to come up to that. The net return to SkyDome as a result of that, after commissions and costs with respect to the advertising, is a very significant amount.

Miss Nicholas: So that was a great idea, then, with the minimum and offering the preference to the consortium.

Mr Magwood: Once again, it was a negotiation and it was a sense of how far and how hard you should go with something like this.

Miss Nicholas: How long are you locked into the \$198,000 minimum?

Mr Magwood: Those are five-year contracts.

Miss Nicholas: So you have the potential in five years to raise that minimum.

Mr Magwood: At that point in time it would be revisited and a new rate card established.

Miss Nicholas: Say advertising goes up 10 per cent. Is that all you are allowed to put up your minimum, the 10 per cent which reflects the market change, or can you put it up to \$400,000 minimum if that decision was made? What I mean is, if advertising goes up 10 per cent in five years, are you only allowed to put up your minimum 10 per cent to reflect the same amount of time they are given, or can it go up to an increased amount?

Mr Magwood: As I mentioned, the contract has been amended to state that the minimum purchase is \$198,000. That number itself is not subject to escalation. That number though, with all parties involved at the point when it comes up five years from now, could presumably be revisited, but it would require the consent of everybody involved, which would involve also the province as a party to that contract. Where I would come from is that what was struck would be a good number now and probably would remain so for some significant period of time.

The \$198,000 is a minimum investment. Most of the consortium members' purchase of advertising is far in excess of that. I think their philosophical view is that they are committed to the project and they are gearing a good deal of their advertising dollars into this project in support of it.

Miss Nicholas: That is great.

The hotel is something we did not discuss much last time, as I recollect, when you came before us. You gave us some explanation of what has happened with the hotel in terms of ownership over the last little while, but you indicated, I believe, that the first part is opening on 12 October or so and the next part in November. Is it sold? Are you looking after any of the management? What is your involvement in the hotel, or is the ownership in someone else's protection and they are running it? What are your management rights over the hotel?

Mr Magwood: The hotel is owned by the SkyDome partnership, in which the province is a participant. The bricks and the mortar in the building itself are owned by the partnership, the same as the rest of the complex. The whole of the SkyDome complex has the same ownership throughout, no matter where you are.

In some instances, there are leases. For example, there are leases for restaurants. In some cases there are operating agreements. Someone may have a management responsibility or an operating responsibility with respect to a certain component within the whole complex.

For the hotel, there is a management agreement with CP Hotels wherein it has an obligation to manage and run this hotel as a hotel. They are experts; that is their business. There are certain elements within that contract which I mentioned yesterday that are preconditions to their entitlement to continue to operate it. They make an investment of \$9.1 million as a minimum in the fixturing of the hotel itself and they assume all responsibility for hiring of staff, etc.

The cash flow that comes from the hotel flows, first, to cover off the expenses of the operation and to pay a management fee to CP Hotels. Then the balance is split between CP Hotels and the SkyDome partnership, based on an incentive fee which is over a certain threshold. If there is an expectation of some success, then CP enjoys that. The SkyDome itself, when it is said and done, enjoys 80 per cent of the net return from the hotel after taking care of certain of these costs.

The decision-making process is a joint one through the construction phase, whereby we hold hands with CP to ensure that what is being built is a hotel that is operable from its own expertise. So they know that. They have been very much involved in all the various decisions that are made with respect to the width of the corridors, the height of the ceilings, the design of the washroom facilities, the extra meeting rooms and so on. They have been the driver to a certain extent to ensure that the end product meets the operating requirements of the expert.

After the project is open, then it is completely CP's bag, its project to run. Really all that happens is that SkyDome at that point is a passive landlord other than that there are certain controls within the management agreement to ensure that they live up to their high quality and meet certain reporting functions and so on.

Miss Nicholas: What happens if they incur a debt or do not make any money?

Mr Magwood: If it ends up as unsuccessful, then it will basically reflect on the financial partnership through this operating agreement with CP. In other words, there would be less that would be distributed. The incentive fee could be worth nothing.

Miss Nicholas: Are they making some commitment that they will fill the boxes they have been allocated, which is four boxes, once they are going, or are you looking after that? That would be an incentive, I would assume, as well.

Mr Magwood: The marketing of all parts of the hotel, and this would include the large dining room and the meeting rooms as well as these boxes, is really a CP function, so when they are selling the rooms and putting the packages together, they will make whatever arrangements are appropriate. At this time of year those boxes are very valuable. These are large boxes, they are larger than the rest of the boxes in most of the stadiums. That may help them market the rooms, it may mean that the occupancy rate moves from 73 to 82 per cent as a result of that being something that can be offered. So we benefit as a result of that, but they market it.

Miss Nicholas: But there is no obligation for them to fill those boxes or to pay any fee if they are not filled?

Mr Magwood: Correct. They are really acting here as the agent of the owner.

Miss Nicholas: What I am thinking of is the consortium. As I understand it, if there is a function going on and it happens to be baseball, they have to guarantee that 16 tickets will be bought whether anybody shows up or not. I wondered if there was a similar arrangement with the hotel for a certain number of tickets per box that they have access to or that they are providing as a benefit to the people who come and stay there. Do they have to guarantee that 16, or if you are saying it is a bigger box, that a certain number of tickets will be sold per box?

Mr Magwood: Yes, they do. If the lights go on, then there is a minimum purchase for baseball, once again of 16. If the lights go on for any other event, it would be a function of the number of people who are there.

Miss Nicholas: But they can choose not to use the box at all, in which case there is no minimum requirement?

Mr Magwood: That is right, but then what we have is a group sales program, as we call it, which is really an interface between ourselves at SkyDome, CP Hotels and Bitove Corp who have group sale areas within their restaurants. The communication between those groups is intended to ensure that all of the physical facilities are available for groups, whoever they may be, and there is an easy way in which a third interested party can find out what those opportunities are. I think that program is working very well. When you look around the facility now, there is not a lot that is not being used.

Miss Nicholas: I know that people rent boxes from other people if they are not using them. I gather that that is a common occurrence, that if a group wants it just for the evening, there is availability for them to purchase it or I guess to rent it from one of the consortium members. Would

they consider renting one of their boxes for a night?

Mr Magwood: Yes.

Miss Nicholas: What would be the time constraint on that? Can you put a constraint on the hotel that if you have not guaranteed that your box will be used by this hour on this day before the event, then you must tell the group people? What happens if it is 7:29 on the night of a baseball game and they are not using it? Is there any encouragement for them to continue this dialogue or to open up the dialogue at some deadline before an event?

Mr Magwood: Yes. Among those groups that have group sale responsibility, we have worked out time horizons following which the group facility falls back into the pot, if you like. That applies to available boxes, it applies to areas within the hotel and so on. So there is a co-operative arrangement to ensure that if commitments are not made, where the person with the proprietary interest in that group facility has not had that kind of success, it falls back into the pot so that the others could participate in attempting to sell it. But the financial interest will always be the same.

1110

Miss Nicholas: I just have one more question, about the health club. Who do you anticipate will use that, be your market? The people who are staying at the hotel, I presume, but I am just looking at where it is located downtown. It is not a quicker walk than to the TD Centre area or what I would consider large buildings. There is the Fitness Institute there and there are a number of other things. I am just looking for your market. I am sure the downtown market would go over there, but it has closer facilities. What are you looking at as your market and who would walk over?

I would think for a majority of the business people who are downtown, and I presume it is only going to be business people who are going to be able to afford memberships in this health club, it would be a good 15-minute walk for a majority of them to access the facility, and I just wonder who your market share is going to be.

Mr Magwood: The primary market is the people who come to the stadium, but our intent here, and I think it is happening, is that people who work downtown do not go home and then come back downtown. The people who are downtown stay downtown, and I think that is one of the reasons why in some ways there may even be some heat taken off the rush hour traffic when there is an evening ball game. Cars will stay under the TD Centre or under the Bank of Nova Scotia or whatever it happens to be.

I think we see, and in our sales program that is under way right now, our first market is people who are already coming to the facility. That may be the club seat holders, it may be the box holders and it may be people who have season's tickets and so on. That is the first focus, the actual users.

The hope there is that people will come after work. They may come at five o'clock before a 7:35 start and they will have a workout or they will play a squash game, they may go and run on the waterfront, whatever their particular plan is, and they will have a change of clothes that will be in the health club and then they will come and enjoy the event and meet their wives or their families at the health club or somewhere else in the building. That appears to have some real appeal to a fairly large group.

A second piece of the market is the market that is in the immediate area. As you mentioned, and you are right, that is a growing area, but it is early. There are some office buildings that are around the building, there are the people who work within SkyDome itself, there are people at Harbourfront, and it appears that there is going to be interest from that group.

In some senses, though, the health club is early. It is what you have to do. It is like the subway system; it should be built before rather than after. Within SkyDome, while it was being built, because so much of it was being excavated, we created the opportunity for the health club and then decided that we would elect at a later point in time when to actually proceed with the finishing of it, depending on what the market could bear. That is an analysis that is under way right now, whether the full green light will be given to the health club.

The third part of it is the hotel itself. The first phase of the health club is now under way, which is creating for the hotel guests access to the swimming pool and to the workout areas and the changing areas. The creation of a certain market niche for this hotel is being enhanced by virtue of the health club as part of the component.

I am trying to answer. Maybe there are three different groups we have some appeal to right now.

Miss Nicholas: Do you have access to the season ticket holders' names and addresses, or is that for the use of the Blue Jays or, the—

Mr Magwood: No. That is the property of the Blue Jays.

Miss Nicholas: It would be a great way of approaching them, I would think, other than handing it out at the stadium door or whatever.

Mr Morin-Strom: I would like to ask along the lines of some of the questions Miss Nicholas was just asking. On the hotel rooms, I wonder if you could tell us what the range of room rates is going to be and how this hotel will compare in the Toronto marketplace.

Mr Magwood: The hotel has 348 rooms, 70 of which face into the field, so those 70 rooms have a special appeal depending on what is happening on the field. They would have a very special appeal at World Series time here on 21 October and 22 October. The rates for the rooms are established by CP Hotels and as you know they already own and control the Royal York Hotel and have an operating contract for L'Hotel, so they have a very clear idea of what the market can bear and what rates would be appropriate for a downtown hotel in this particular location. They are setting those rates and review them with us, but we really have to look to them as the experts.

The range of the room rates will vary depending on what is happening inside the building so, for example—and do not hold me to these numbers—whereas the overall average room rate for the SkyDome Hotel may be in the order of \$150-plus, it is skewed very much by the fact that some of those rooms may be \$500 or \$800 a night if they have views of the field during an event that is attractive; they have a fluctuating rate which will vary depending on the activity.

Mr Morin-Strom: In the media the figures we hear are something in the order of \$600 to \$1,000 as room rates. Are you saying that those kinds of rates would apply only to the 70—some rooms facing the field and that the

other room rates would be more in the marketplace as to what a four- or five-star—I do not know if there is a five-star hotel in Toronto—or top luxury hotel would be in Toronto?

Mr Magwood: That is correct, and one more thing: It is a function of where the room is, whether it has a view of the field or not and what is going on in the field the night that you are seeking it. As for those numbers of \$600 to \$1,000 which, incidentally, are only speculative, those rates have not been fixed at this point in time by CP. But let's say that that is the range—in fact, it is something less than that—then that would be the top rate when there is a ball game going on and the room has a view of the field; but within the building itself there is a tremendous range of room types and so the room rates vary as well, much more so than any other hotel that any of us have seen before.

Almost every room in this hotel is different in size and configuration, not by intent but because we had to work with the building as it was. That is one reason why it has been so difficult to predict and estimate what the costs of some of the aspects of the hotel have been. For example, the rooms overlooking the field vary from 400 square feet on one level to two-level hotel rooms—we have nine rooms overlooking the field that are two storeys high and each has a spiral staircase joining the two levels. Now that obviously is a proposition that is quite different from a room that is a simple one-level, 400-square-foot room.

Also, in the two corners of the building, the northeast and northwest, which are what we call the vent extensions, we have an opportunity to create larger rooms. There we are sort of back into the concrete of the stadium itself where we have suites that are as much as 1,200 square feet so they are really quite large, two-bedroom suites. Depending on where you are in the building, the variety is pretty broad, so the room rates reflect that, too.

Mr Morin-Strom: Would there be requirements for a certain number of seat purchases or any kinds of controls on the number of people who get into the rooms to watch ball games then? How are you going to monitor attendance and ensure that full ticket sales and attendance figures are reflected? For example, does the \$600 to \$1,000 include an allocation of typically 12 tickets that then is paid back to the Blue Jays as part of that room fee, or is that having to be paid on top of the room rate the night a ball game is being played?

Mr Magwood: The room rate is the fixed rate, notwithstanding the number of people in the room. There will have to be and will be an operational control on that. This will be a very tricky operational concern for them, but what CP Hotels does not want, if you like, is to affect the overall marketability of that hotel by virtue of an event that is going on. They have another 270 rooms, and many on the same floor as those overlooking the field, that they have to fill up every night. We would leave it to them to put in place a form of operational control so that these rooms just do not get stuffed and packed with people. That is going to be a tricky one to monitor and I think until they get there they are not sure exactly how that is going to be dealt with. There is a financial arrangement with the Blue Jays whereby they participate in room revenues overlooking the field during their game time. That is the form of their ticket price. Then within the overall numbers that we talked about yesterday there is an expectation and a given number of people who are anticipated to be in each room for a game.

Mr Morin-Strom: You have a shortfall right now of some 2,000 seats. Compared to where you are going, these 70 rooms are going to provide. Do you have an estimate as to how many Blue Jays seat sales these will represent?

1120

Mr Magwood: No. Probably though they represent about 350. So the balance of that shortfall is made up of that number, the numbers that have views of the field from the restaurants, the numbers that so far are held out of the manifest that are complimentary tickets by the Jays and also the handicapped number. It is those four components that make up the balance.

Mr Morin-Strom: Two of the biggest areas of cost overrun from your projections last August were the hotel, which has gone up from \$66 million plus to \$90 million plus, up \$24 million, and the health club on your capital cost summary, which has gone from \$5 million to \$14 million, an increase of \$9 million. I wonder if for these two facilities the consortium partners have any particular exclusive rights or opportunity for first refusal for rooms in the hotel or memberships or automatic participation in the health club?

Mr Magwood: No, the rights do not extend to either of those areas. I should say, though, that in both cases we view the consortium as a significant asset in the marketing of both of them. In other words, they are there and have I do not know how many hundreds of thousands of employees within their overall network that could be a marketing target for us.

So that in the case of the hotel, although there are no rights per se that apply to the hotel other than CP's rights through CN in the operation of the hotel, as I described yesterday, we would see the consortium as a target for taking large groups of rooms and basically getting our room rates up and providing a higher level of security. So that is a real plus. Already CP in the room reservation exercise they are going through is enjoying some of the benefits of that support from that constituency group.

In the case of the health club, there is no preferred right to the consortium members with respect to membership. What we are doing once again is targeting those corporations in an attempt to pre-sell as many memberships as we can to provide us with financial security in front of making the decision to build it.

Mr Morin-Strom: In the case of a World Series game will the consortium have the first opportunity to get the rooms?

Mr Magwood: No, no more than anyone else in the public area. CP Hotels I believe is quite open to market those rooms on a first come, first served basis.

Mr Morin-Strom: The health club sounds astronomically expensive. Is there such a thing as a health club in Canada that costs \$14 million in capital to put in place?

Mr Magwood: That number is deceptive because it includes the structure that incorporates the facility, about 50,000 square feet, and in addition the structure of what it supports above it. The health club is on the west side of the building and over the top of it are the Peter Street stairs. The access to the west side of the building is all over a structure which really had to be built anyway to a certain extent. What we did within that structure was build in, if you like, the compartments within which one could have a health club, like the squash court, etc.

I would say in excess of 50 per cent of the cost, and that was really the number that was on the table when we were here last November, really relates to the superstructure that is really integral to the area just outside the building required to support the steps in the area to the west. The balance of it that makes up about 50 per cent of the cost is the cost of actually finishing and building the health club itself. That includes all the mechanical and electrical systems and it includes the creation of the squash courts.

There are six squash courts within the building and very large fitness areas. It has also in it lounges, dining and swimming pool, etc. It has facilities that really are probably unmatched, certainly in terms of the downtown fitness areas. It also has in it an element that relates to the hotel and the service of the hotel, as I mentioned.

Mr Morin-Strom: I guess in my mind there would be three potential classes of types of users of the health club, one of which would be professional athletes. The Toronto Blue Jays and other professional teams that will be coming into Toronto will presumably want to have access to the best possible health club facilities while they are in training, between games or whatever.

A second group would be, as you say, associated with the hotel—usage of health club facilities from people who are renting rooms in the hotel. The third possible clientele would be, I guess, private individuals or individual members or perhaps corporate members that are in the community. Was this designed primarily for any one of these three groups or what was really the purpose of putting the health club in and is it any one of these three who is going to be likely the primary user of the health club facility?

Mr Magwood: I think it is a combination of all three, just as you have described it. The intent all along is to have this facility as the best facility for sports medicine within a health facility that exists and that it would be available for use by the athletes who are in the building. By doing that, we would be able to attract the best possible medical help and have that within SkyDome—there is certainly logic to that—rather than perhaps at a hospital up the street. That is bred into the actual design and it is contemplated with the operation.

Second, the hotel element of it has always been a very strong one and what we see here is a hotel that is not just there for the business traveller to stay for one night. It is for the longer-staying guest. We will be targeting very much people to come for a homestay, for example, or that they would come for a summer weekend or winter weekend. They would combine this with theatre and so on.

In order to make this a destination for three or four days for people coming to it, it was thought that the health club element of it would be very important, so we will be offering to the guest a whole fitness package—testing, treatment and the use of the actual facilities—and perhaps going home then with a program that would mean something to them wherever they came from in terms of their own fitness concerns.

The other element to it, which is probably the primary one still, is the one that I mentioned before, which is an attempt to keep the working population that comes to SkyDome downtown and to make this very much their destination after work, which would extend out the period of time of its use. That has very real commercial impact to the stadium because the longer people

are there and the more time they spend, the more money they are going to spend and, therefore, the more successful the project is.

The drive all along has been to attempt to have this building used 365 days a year and 12 hours a day, which no other stadium in the world, I think, is. Most of them really are a refuge only for an activity and that is the end of it. That is a long answer again, but it is really a combination of all those factors that led us to believe that this is something which we should at least provide for and allow for so that it could be built and finished out in the future and be incorporated in the structure.

Mr Morin-Strom: I would have two concerns. One is with respect to the ball players and the professional athletes. I have never been in a dressing room, but I would imagine that they would like to have some kind of privacy and like to be in their own portion of the health club. If this is going to be their primary facility for off-the-ball-park training, will they have an exclusive area set aside or will they be intermingled with all the other members of the health club?

1130

Mr Magwood: The intent here is that this is not the primary facility. In each of the locker facilities for the professional teams—the Blue Jays and the Argonauts—they do their own treatment and training. That is where they do it: right in the locker room. This facility is actually quite far removed from it; it is about a quarter-of-a-mile walk to another part of the building.

- What I meant to say—I may not have described it properly—is that it is not that this is deemed to be a home for professional athletes. Rather, this is a home for the sports medicine element that could be applicable to all users of the facility. That medical element was one of some appeal, if you like, to athletes, not necessarily those playing in the Dome—it could be—but to athletes who may be participating and competing elsewhere. So the runner from Etobicoke or the swimmer from Scarborough may find that SkyDome's medical service is the best one for him to come to for his treatment.

Mr Morin-Strom: Will the health club be totally separate from the ballfield?

Mr Magwood: Yes. It has its own entrance. It does not have access into the building, unless there is a ticket, and basically that person comes back out and comes back through the stadium and the same control points as anyone else does.

Mr Morin-Strom: Finally, I wonder if you could tell us roughly what the fees are likely to be and, in terms of its size, how many members you are contemplating having and what the process will be for selecting membership or opening up membership to the general public.

Mr Magwood: The memberships are now being sold. I believe the initiation fee is \$2,500. The annual fee is, I believe, \$1,500. The intent is to sell approximately 2,000 memberships and the program is now under way. If you want, we can deal with that. That comparison is one where the fee structure puts it below the Fitness Institute today and puts it on line, approximately, with the Adelaide Club.

Mr Morin-Strom: Referring back to a question of yesterday, I made

reference to the memorandum of understanding on restrictions of what corporations can do in terms of providing goods or services to the SkyDome at market value, you might say. In particular, I think it was section 5 of that memorandum. I would like to know whether there have been any changes to that section of the memorandum; whether you have had any legal opinion on any of the practices in terms of prohibiting Pepsi-Cola, for example, from competing for the concessions contract or the prices that McDonald's is charging or whether there is any indication that you may be in violation of that section of the agreement.

Mr Magwood: I am not aware of any suggestion that there is a problem with that. My understanding is that section of the memorandum of understanding was really an attempt to provide a fairly broad latitude for the schedule 2 corporation to be able to do the type of business that was contemplated at the time, which was to build a stadium and not to suffer under the constraints of a level of detailed reporting such that it would not be able to do business. Really, the indication there is that the corporation can pass resolutions, enter into agreements, and do such acts as are necessary and of advantage in connection with the construction, operation and maintenance by the corporation of the stadium, including arrangements with the consortium members, construction agreements, and lease agreements.

The arrangements that you have referred to that may have some sensitivity in terms of reflecting that mandate. We are not aware, and I am not aware of any suggestion or concern that we have not lived within the bounds and framework of that. In fact, I believe the Provincial Auditor, in reviewing the practice and the consortium rights, which was done back in 1985 because it was at that point in time that the rights were struck with consortium members, reviewed those and accepted those as being in compliance with the provisions of the memorandum.

The Chairman: The auditor informs me that he did not review the market rates at that time. Your agreement clearly states the "terms and conditions generally prevailing for supply of similar quantities of such products and services of the same quality to buyers operating at the same level of trade in the Metropolitan Toronto area." I guess the concern some might have would be whether you have changed that clause in order to allow McDonald's or Coca-Cola to sell at prices higher than in the Metro area.

Mr Magwood: There are a couple of questions implicit in that. The reference I made to the Provincial Auditor, I am advised by my friends here, related to the contractual arrangements and the nature of the rights that were given to the consortium members; that is, if you like, in its global sense. You are quite right that the specifics of the implementations in terms of the contracts that ensued after that point in time are elements that I do not believe necessarily have been part of his own review.

The description of what market rates are, which is set out in the preferred supplier agreements—it is the same schedule basically that is attached to all of the arrangements with the consortium people—make reference to market rates. What that refers to is the specific product that is being supplied. In each case, it varies somewhat because sometimes it is a product and sometimes it is a service.

It is a long way to get to the answer, but I think it is clear when we are talking about a hot dog bun a hot dog or a Coke—let's use those as examples—that the test of the disposition or sale of that product to SkyDome must meet that standard and that test. Should there be a price available from

a competitor that was less than what we were paying for that product, an example perhaps being Pepsi-Cola, then Coca-Cola would have to meet that price to us. We should never be put in a position of paying a premium for a product because of the consortium arrangement.

In the case of McDonald's, what we are talking about is something a little different. McDonald's rights with us are to provide quick-service convenience foods. The way that right is exercised is by virtue of an agreement to put in these concession booths. The test for determining what the fair rental should be for McDonald's for those leases had nothing to compare itself to other than perhaps looking at Exhibition Stadium and Maple Leaf Gardens because there was nothing else in the Metro area.

So among those looking at it, it was deemed appropriate that a broader test should really apply to them and that what we should look at are stadiums throughout North America, that an analysis should be done and a third party retained, as I described yesterday, to come in and set those rates for rental. That is not the product they sell; it is simply on the rental.

Having done that, a contract was entered into with McDonald's. The prices that are set for their product, as I mentioned, are prices that are reviewed and approved by SkyDome, as well as by the Blue Jays during the Blue Jays games period. In the contract with McDonald's, the test that must be met is in comparable stadiums. To go back to the point yesterday—I think the McDonald's contract is actually appended to the material you have—if you look at it, you will see there that the test is, I believe, comparable facilities in other stadiums.

The Chairman: If I understand you correctly, you were saying that the market rate section of schedule A does not refer directly to the price at which products are sold within the dome, but rather the price the stadium corporation pays to receive products. Therefore the test of "within the Metropolitan Toronto area" does not refer to the price at which McDonald's or indeed the health club or any other operation in the dome sells its products to the public.

Mr Magwood: That is correct.

1140

The Chairman: Instead then, you have set up another type of criterion, and in this case the criterion is, what would a stadium sell this kind of product for in North America generally and is this a fair price for this kind of product in this kind of setting?

Mr Magwood: Yes.

The Chairman: In the case of the health club, I suppose you would not have anything to compare it to, because there would be nothing as luxurious in terms of health club facilities as what you are just setting up, so you can set any price you want.

Mr Magwood: In the case of the health club, the constraint would only apply if a consortium member were involved. If a consortium member were going to run that for us, and none of them has those rights now—maybe there will be someone—then the lease arrangement would have to meet that particular market test. In turn, what the health club operator charges for his memberships or for the beverages that are sold there is really his business

unless we breed into the contract a form of control. As soon as you do that, of course you are affecting the market value of what it is you came to sell.

In the case of McDonald's, within its contract we had a level of sensitivity, concerned both with the range of menu and the pricing. The menu was really the element we focused on, the concern being that people would be able to enjoy a broad enough range of food. In any North American stadium, you can get nachos with cheese. McDonald's had not been in that business before. We wanted to be sure that there would not be a constraint on that and that people would not be limited to the typical products.

They agreed to that and to these words of "typical stadium fare," and that is in the language of the document you have. The pricing test is one where McDonald's submits to us every year, and to the Blue Jays, its proposed price schedule. Those prices shall be at market rates and those market rates, as a benchmark, are compared to food and beverages sold in similar sporting facilities in North America. So what we look at, at any point when we receive the price list, is that we do our own analysis of the situation out there, taking into account the quality of the food and the range of the food service.

The Chairman: That is helpful. Thank you.

Mr Cousens: I have a few more questions from yesterday on the parking and transportation infrastructure. How many parking spots have been allocated for the hotel and where are they located? How many are allocated for the health club and where are they located?

Mr Magwood: Within the garage of 575 spaces, when the hotel opens there will be 75 to 125 spaces at the north end under the hotel that will be basically held for the hotel. That is a fluid situation because it is a function of adapting that for events in nonevent time. It will be a valet service operation. The operation of the garage is by Citipark Canada Ltd. Citipark has a management contract with us and it understands fully the demands on that parking lot, depending on the nature of what is happening.

During a game, for example, the Blue Jays have certain rights, the Argonauts have certain rights for those spaces, box holders have certain rights and there is an expectation of a hotel guest that his car gets parked or that he can park it. Those locations are set up underneath the elevators, in proximity. There are two elevators that come up from the parking area up into the lobby of the hotel.

Mr Cousens: During the last period of time, you have had numerous meetings with different officials from both the province and Metropolitan Toronto on transportation issues. Who are some of the people you have had key dealings with in that regard?

Mr Magwood: The interface for the stadium corporation has through a firm we retained, B-A Consulting Group, specialists in this particular area, and then an individual who at one point was a city employee and worked with B-A, named Steve Shaw. Steve was the one who directly dealt with the interface with the various authorities.

In developing the transportation plan, we had to satisfy first the city of Toronto and the public works department, which is Nick Vardin's department, and Bill Bremner. We worked very closely with their people and their staff in mapping out a strategy. I would say that Mr Vardin himself was very much responsible for setting the requirements for SkyDome to meet with respect to

transportation and the moving of people, given that his jurisdiction applied to the surface areas over which pedestrians would walk and the cars in the parking lots that would be operating.

In addition, we had interface directly with GO Transit. We dealt there with Mr Leach more recently, and before that with the former chairman and Rick Ducharme and his staff at GO Transit. That involved whatever work had to be done within Union Station to accommodate the flow of traffic. It involved also the gearing up of the GO Transit system to take care of our requirements, given our dates and times and so on.

We worked, once again, with the Toronto Transit Commission people and with their departments. Mr Leach was the former chairman of the TTC, so we dealt directly through him with his people responsible. They were involved on the design side as well as on the operations side. The TTC was involved in discussions with us with respect to Union Station, the design of Union Station, the size of the platforms, the capability to handle the volumes of people. We looked at the capability of St Andrews station. We looked at various changes through the design phase and also the gearing up of the system to take care of our requirements.

That also involved the on-surface streetcars and other ways of moving people, the express bus arrangements on Spadina, etc. There was a whole group dedicated to that. Also, that was the group with which we negotiated the 30-day period when the use of the ticket would entitle anyone to use that system.

Then, as I mentioned earlier, on a slightly different bent in terms of transportation, we had discussions with CN Rail, with CP and with Toronto Terminal Railways, representatives of that group. That dealt more with design than with operation. There were discussions as well with the Ministry of Transportation and Communications and it had representatives within the groups that met.

We had hats for everybody. We had hats for the slash squad. They were the guys who tried to cut costs. We had hats for the 360-degree men. These were people who were supposed to see out of the backs of their heads. Then we had hats for the transportation people. They all wore hats that said, "Make tracks to SkyDome." When we got all these people sitting around the table to try to integrate them and have them work together, that was what that particular group was. We had representatives from probably eight different agencies who would involve themselves in regular meetings as this thing evolved.

Mr Cousens: That is helpful and it might sort of tie in with this question. Yesterday, you said "what is lacking is leadership and co-ordination among all the people who have a vested interest and responsibility in this whole area" of transportation. "Transportation includes the whole network of moving people, whether by automobile or any other means; it is missing. It just ain't there." Could you elaborate on just what is not there, who was failing to give the leadership? Where did you have your problems?

Mr Magwood: Did I say that?

Mr Ballinger: I think the operative word was "lacking." I do not think he said it was not there. There was some lacking.

Mr Magwood: What I intended to say was that the experience of pulling these groups together was a unique one and, I think, a very useful one. In many ways, SkyDome has an advantage when it tries to do these kinds of things because it can be the new kid on the block. It is in a heck of a hurry. It is very impatient and perhaps wants some answers and some help. I think SkyDome had an advantage in trying to pull to the table representatives from those various groups.

One of the unfortunate things in leaving SkyDome as a finished product is taking the kind of level of co-operation and co-ordination that came out of this exercise for this project and having it continue to be a useful one in terms of future planning, because without it—it is a personal observation only, so I am not speaking for SkyDome on this. Most of these agencies work on their own. They have their own jurisdictions and they have their own game plans. There is not a common co-ordinating theme or thread that pulls those various groups together.

1150

It would seem to me—I was really responding to the direction of your question—that the situation out here is not necessarily a good one and it is going to get a whole lot worse. There is going to have to be energy put into the co-ordination of pulling together the various elements that involve moving people, whether by car or by transit, to ensure that this city is going to operate properly after the millenium. I am not sure it exists right now, so when I said it ain't there, what I was really referring to was that there is not a mechanic and a process to ensure these various groups have to work together.

Mr Cousens: Have you made any efforts to try to find where that leadership is going to come from? Have you made any statements otherwise to politicians who might be influential in bringing about that change, or is this your first public statement on that?

Mr Magwood: No, I just blurted that out in answer to your question yesterday.

Mr Cousens: I appreciate the fact that you did, because I think you have touched on what I see as a very major concern and that has to do with just getting people around. The fact that you have experienced it in your position, representing the SkyDome corporation, I think makes a very strong statement of the need for that kind of co-ordinating assistance.

I have a question for Ray McClelland, if I could. Do we get public access to information through the SkyDome? Do you know that? As a public organization, are files and information that you have available through access to information? Do you know that, Mr Magwood?

Mr Magwood: Through this committee, on request, I think we have and would continue to make available to you whatever might be helpful. There was a request, I think, at the last session or the one before—I forget—for a copy of the B-A Consulting Group. That was quite a thick study which we gave to you.

Mr Cousens: I appreciated that too.

Mr Magwood: If there is any other work that is in a presentable form, I do not see, on behalf of SkyDome, any problem with continuing to make that available. Unfortunately, some of the things we are talking about really

were meetings of people and the setting out of agendas rather than the development of a strategy that might be useful for the future.

The Chairman: On that very subject, we have obtained a copy of the partnership agreement, which I gather has not been ratified yet, between the Stadium Corp of Ontario Ltd and Dome Consortium Investments Inc. Do I gather that this document I have in front of me right now is not a public document and you do not want it released, either to the members or publicly, until such time as it has been ratified?

Mr Magwood: That has been our position. I would have to inquire of others at this point. Frankly, I do not have the authority any more, because I am basically out of work right now, to comment on that.

The Chairman: Perhaps you could let us know, because I do not want to have the clerk distribute a document that you are still working on and which is a working document. I do not think that would be fair to you.

Mr Magwood: That is right; it is.

Interjection.

The Chairman: You might gain more information than you would care to want.

Mr Magwood: The partnership agreement is attached to the principal stadium agreement, which is executed. That document gets executed at the time the partnership comes into being, which we have talked about as being in a couple of months' time.

The Chairman: That is why the dates are blanked out.

Mr Magwood: Until that time, I think it is probably the view of everyone that it would be best that it not be a document—

The Chairman: May I assume then that the committee will, perhaps during the next time we have an opportunity to discuss matters with you, have a copy of that and we may discuss it at that point in time?

Mr Magwood: Yes.

Mr Cousens: Earlier this morning, we learned that the province has a box at the stadium. Is there any other preferred status or situations that are given to both the province and Metro from the stadium corporation in the form of extra services or extra tickets or anything?

Interjections.

Mr Cousens: I am saying preferred, that are not at standard list rates that are given to everyone else.

Mr Magwood: As mentioned, apart from the ownership, of course, which is there and all the rights that flow from a control point of view, the private box that is made available, one to the province and one to Metropolitan Toronto, are the only rights.

Mr Cousens: No preferred rights for advertising, you are saying, and no special preferences in parking; this is what you are saying.

Miss Nicholas: I see the "Ontario: Incredible!" sign up on the JumboTron. Is that our preferred advertising right?

Mr Magwood: No, but the province purchased that at the same rates as all other parties and it is a great use for the board. It is a good ad.

Mr Cousens: At no special rate or anything else?

Mr Magwood: No, there was no particular rate that was negotiated there.

Mr Morin-Strom: Are we spending the \$198,000 or well over that?

Mr Magwood: I am not sure what the cost of that purchase was.

Mr Ballinger: It is promoting Sault Ste Marie, as well, Karl. That is part of it.

Mr Cousens: Do you have a report on the accident rate? I do not really want it now, but you could table with the committee the accidents that have taken place during the construction and the accidents that have taken place since it was opened, and just the general insurance problems that are being raised, if there are any, because of that. I think the points were being raised very well yesterday by Cindy that we are getting people into the place but there could well be some problems that are coming out of that and it is surely something you would be looking at. We are running short of time, but I would just like you to table them if there are any reports.

The follow-up to that is, what is your Workers' Compensation Board rate during construction and now afterwards, if you have a special rate for your employees and whether you are in the process of doing anything to try to change that rate if it does seem to be too high?

My last few questions, if I can just put them out, are in regard to the tendering process. At what point is there an open tender for services and equipment or anything else at the SkyDome? Do you have a point at which certain management decisions can be made without having to go to tender, and if there is such a point, at what point is it and what processes follow?

Mr Magwood: Okay. There are three quick answers. First, the next time we are here we will table a report that deals with accidents and the other items that you have requested here. Second, during the construction phase we had a remarkable level of safety on the project. It was so startling that we had no serious accidents. Literally, we had one broken arm, I believe, and that was it, over a period of four years. Given the number of people, we were afraid to even mention it because if you have any sense of getting spooked by good news then we just did not even really want to talk about it, but it was an unbelievable record of safety that we have enjoyed through the construction phase.

Third, as far as the tendering process is concerned, I will make two comments. One is that the preferred rights that are enjoyed by consortium members do not apply during the construction phase and that is an important point because it means that even Ford Motor Co, for example, that has some preferred rights in so far as the supply of glass is concerned through a

subsidiary, had to bid with everyone else and if it was not the low bid it did not get the work. There was no favoured treatment or favoured position, if you like, because of the consortium contracts arrangement during the construction phase and therefore as far as the capital budget was concerned.

After this, as to whether we tender something or whether we negotiate it, it is my understanding that the general intent always is to accomplish the best possible price. Generally that is accomplished through the tendering process so generally that is what we would do. There are some cases, a number of cases as we came to the end of the project during construction, where we had to operate through negotiated arrangements and negotiated prices, where we would have as a benchmark unit prices out in the marketplace. Each one of those would be different and usually the nontendered items would involve a piece of work that was expanded where the work was already being done by a certain crew. So we may extend it in terms of its scope and we may extend it in terms of its extent. We would negotiate a unit price extension to it. That would be nontendered.

Mr Cousins: Could you table with the committee your tendering policy as it relates to the SkyDome? Coming back to the accident situation, I do not think it is an easy question to ask at any time. I, like yourselves, would keep it quiet during construction, but now that the place is built, is there any kind of study being made just on the safety of the building and what problems are coming about, because it is going to affect your insurance, it is going to affect other things, it affects the public welfare? I am sure you have it. I would just be interested in knowing what is happening. I think Bill Ballinger touched on it this morning earlier with regard to the heart attacks and things like that. It is a general question without any hidden agenda on something like transportation.

1200

The Chairman: It is 12 o'clock. We have been offered a tour this afternoon if we wish to take it. We have three people left on the list, Mr Nixon and Mr Adams and I have two or three questions. I am proposing that we sit to 12:30. The alternative is to come back at two, sit to 2:30 and then go for the tour behind the scenes at the SkyDome, if that is your wish. May I have some feedback from members of the committee as to your pleasure? Do any of you, for example, have luncheon appointments that require you to leave at this point in time or may we continue until 12:30?

Mr Cousins: I am leaving. Feel free to carry on with any questions.

The Chairman: I gather we can meet in front of the Parliament Building doors at two o'clock. We will go by cab and I will make arrangements with Mr Magwood as to where we will meet him and where the cabs go and so forth.

Mr Dietsch: At the east lobby?

The Chairman: No. The main front doors. We will now hear from the members.

Mr J. B. Nixon: I just have a couple of brief questions. First, Mr Cousins has asked many questions about the transportation and traffic conditions surrounding the SkyDome. Would you not agree that a lot of the conditions and problems result from the decision to locate the SkyDome where it is? If the SkyDome were not there, it would be somewhere else and it would have different traffic and transportation problems.

Mr Magwood: Yes, absolutely.

Mr J. B. Nixon: It is almost a tautology. One would expect that any locational decision would result in some sort of traffic and transportation considerations that had to be resolved.

Mr Magwood: Correct. Had it been located elsewhere, there would have been very different traffic problems and considerations. I think, by virtue of the selection of this site downtown, what happened was that the focus had to be on pedestrians and the movement and use of public transportation. Had it been elsewhere, probably the focus would have been on the road systems and the improvements that would have been necessary for access from the road systems to major parking lots. The focus is completely different from that which any other facility had to face, other than probably BC Place.

Mr J. B. Nixon: The second question is related to the public offering or the consideration being given to a public offering. Why are you considering only a \$25-million offering for facility-B borrowing?

Mr Magwood: The quantum, the timing and the terms of the issue are to be decided by those who will be looking at it. One of the partners involved is Merrill Lynch and through its people, it will be advising us, presumably, on what can be done out there. I think the desire is to have the public involved in a participatory and ownership sense in the facility, which I think is very positive, and the second is to raise some capital to retire debt. In that sense, I would agree with you; the more the better.

The question of the pricing and the amount is going to be a function of how well they can package the financial information to interest the investing community. They are going to be the experts on it. All that we are doing in our budget summaries here is carrying what we think is going to be possible, but that is an analysis that will follow.

Mr J. B. Nixon: As a layman, I would suggest to you that there would probably be great interest by individuals in the community in taking up a few shares. I would think the offering could be much larger but I am not financial expert, by any means.

Mr Adams: Mr Chairman, could I ask Mr Peddie a question?

The Chairman: Mr Peddie, just take one of the microphones. We will deputize you as an MPP for five minutes.

Mr Adams: Mr Peddie, I saw you looking very bored over there.

Mr Peddie: No, I took lots of notes.

Mr Adams: You must be quite excited with your new position and all?

Mr Peddie: Yes.

Mr Adams: We have had an excellent presentation from your predecessor. You heard me earlier on trying to get the province's place in the stadium now that it is virtually—I suppose there are still things to be done—up and running. You likely will be pleased to hear that although I am glad, because there is great public interest in it terms of the money we have in it and also in terms of the impact on Metropolitan Toronto, I think there is a real public interest in the stadium. I have no interest at all in the province running the stadium in any way, shape or form, the way that you would have to do.

With regard to the urban impact, and particularly transportation that Don Cousens was talking about, and this point Chuck made yesterday, I think he is right that SkyDome has had the effect of bringing together players in the transportation business in this area. I know the province, for example, last year did an overview of transportation and tried to show how the roads and the subway and all the different things fit in together. The province is trying to think in terms of access, to try to do the sorts of things that Chuck was talking about before. There is no doubt that the SkyDome has helped in that process. It has made people think on different levels.

We have here the summary of your monitoring program I think it is, the study B-A Consulting Group did. If I might just say, one of the things that would worry me about this if I were you is that the forecast of this consulting group is almost exactly matched by the observed data. Studies like that always worry me. It is on page 3. If you look, there really is no significant difference, except in one item, and I doubt that is significant, between what was forecast and what was observed.

I realize you have to run SkyDome and I think should go about it, do it in as businesslike a way as you can. You cannot afford to go off doing social things like constantly thinking of being a leader in transportation.

My hope is that by continuing to monitor traffic, the way people come and go, the impact of events of different types, the impact of events at different times of the day, different times of the year, you will be able to play a role in improving transportation in the greater Toronto area.

I wonder if you would care to comment on that?

Mr Peddie: Chuck and his team, I am sure you would all agree, have built maybe the finest entertainment facility in the world. Now that it has been built, we have to fill it. To do that, we have to offer a certain set of values so we can fill it in a quality way. We believe one of those values is going to be service. You can define service in many ways.

We talked about health and safety earlier, we talked about food quality and price. The ease of getting in and out is also one of those service things. We want people to go out and to feel the whole experience of the moment you start to move towards SkyDome, you experience the SkyDome and then you go home. It is all going to be a very complex formula and if we are doing the proper job as a team, we are going to have to monitor every aspect of that. We are very dedicated to service in the transportation department.

Mr Adams: In the study and in SkyDome's objectives it says that most people come and go by public transportation. The only figure in this list that actually might be significantly different is the fact that the number of people using private automobiles is actually lower than anticipated. That shows up by the fact that in the notes it says that people really did not have to circulate, they found parking very easily.

That gets back to my concern that I tried to develop yesterday. The reason the consultants predicted a certain use of the private automobile, which was higher than anticipated, was that there are parking spaces for them around. They knew that and therefore they thought that people might come and fill them up. I suspect they may well fill them up soon; there will be a drift back to the automobile.

My hope is that you will continue to try to emphasize public transportation in your scheduling, within the limits of the need to fill the stadium and all that sort of stuff, again in the types of events; if you can choose between events where people are more likely to come by one means than another. Are you interested in that personally?

Mr Peddie: Once again, we are interested in service. If it is a real zoo to get in and out of there, we are not going to get the attendance, so we have to; it is part of the marketing mix.

Mr Adams: Okay. I just want to say that it was partly out of curiosity to hear you talk that I asked the question. We look forward to working with you in the future.

Mr Ballinger: The first round did not hurt at all, did it?

The Chairman: Mr Magwood, I want to ask you a question about special events. It is my understanding that special events of a nonsporting nature are usually sponsored by either motor car companies or in the past by cigarette companies, and in the present more frequently by soft drink companies, principally the major ones, Pepsi and Coke.

Am I correct in saying that as a result of your special advertiser agreement certain events, namely those people—those rock stars or whatever—under contracts to Pepsi Cola will not have access to the dome for their performances as a result of your exclusive advertising provisions?

Mr Magwood: No, I do not believe so. The Rod Stewart concert, which is the first concert we did, was sponsored by Pepsi. As a sponsor for that particular event, there were certain requirements that Pepsi obviously had to have that had to be met or they would not have staged the event.

The Chairman: My understanding on that particular event was that it was a once-only event, that in fact Rod Stewart was booked in, that your consortium, and more particularly Coca-Cola, did not realize that Rod Stewart was under contract to Pepsi and that the likelihood of this recurring because of the exclusive advertising event is in fact nonexistent. Can you comment on that?

Mr Ballinger: Did Pepsi call you, too, Mr Chairman?

The Chairman: I get information from all over. Everybody calls me.

Mr Magwood: Actually, your information may be better than mine. Really, all I can react to is that the particular event did take place, and the second example is the one that you will actually see today, which is the huge General Motors trade show that is taking place within the facility.

What we have bred into the preferred arrangements with all of the partners is what we call a deal-breaker clause, and that is that when it is said and done, the building can never be put in a position of losing or potentially losing an event because of arrangements and contractual rights that flow in favour of the various consortium partners. The logic of that is pretty obvious and what rules here is that the building has to be full, as Richard has said, we need to have a variety of different events and we need to be able to appeal to all kinds of different people.

For that very deliberate reason, that deal-breaker clause has been

inserted. If it is called upon, if it is necessary, hopefully it will be an academic exercise and everything can be worked out in advance. You are quite right that there will probably be some delicate moments in the negotiation with some promoters and some performers, depending on who historically has backed them, if they are in conflict with some of the other investors.

But so far, after three and a half months, it has not hurt us. It has not cost us an event yet. Even though there has been perhaps some hot and heavy discussion in advance of finally nailing it down, it has worked out and probably it is going to get easier as the format becomes more accepted.

The Chairman: Am I correct that what I am hearing from you is an assurance that at no time will any artist who happens to be under contract to a competing nonconsortium member, such as General Motors or Pepsi Cola, will in any way be restricted because of the exclusive advertising clauses that you have with your consortium members? Is that correct?

Mr Magwood: I could not give that covenant myself, but the building should not be in a position of losing that event by virtue of those existing contractual arrangements.

The Chairman: Would you be prepared to present that question to your board of directors and to send back to the clerk of the committee a reply to that question?

Mr Magwood: Yes. That is fair.

The Chairman: My next question deals with subsection 77(1) of what was formerly called the Combines Investigation Act, now the Competition Act, 1985. Subsection 77(1) says:

"For the purposes of this section, 'exclusive dealing' means

"(a) any practice whereby a supplier of a product, as a condition of supplying the product to a customer, requires that customer to

"(i) deal only or primarily in products supplied by or designated by the supplier or the supplier's nominee, or

"(ii) refrain from dealing in a specified class or kind of product except as supplied by the supplier or the nominee, and

"(b) any practice whereby a supplier of a product induces a customer to meet a condition set out in subparagraph a(i) or (ii) by offering to supply the product to the customer on more favourable terms or conditions if the customer agrees to meet the conditions set out in either of those subparagraphs."

It goes on to speak of market restriction, and I guess the key word is "market" and what is the market. You have talked about your market, at least in terms of pricing the products, as being the stadium and compared it to the markets of other stadiums.

I guess my question, after that long preamble, is: Is there any possibility, in your opinion, that you could in any way be in violation of that act either in the supplying of services such as the McDonald's services or Coca-Cola services, or in the way in which advertising exclusivity is drawn up in the contract? Have you obtained a legal opinion on that or are you fearful that you may be in violation of that act?

Mr Magwood: That is a loaded package you just dropped on my lap, Mr Chairman. I would not want to comment on that.

Mr Ballinger: Are you a solicitor by profession? Are you a lawyer?

Mr Magwood: Yes.

Mr Ballinger: You just took the wind out of my sails.

The Chairman: With respect, Mr Ballinger, even if he were not, my question was whether or not he had obtained a legal opinion; and any lawyer who obtains his own legal opinion is the equivalent of a doctor who obtains his own medical opinion, so I would not expect him to obtain his own legal opinion.

Mr Ballinger: Well, you and I can debate that, Mr Chairman.

The Chairman: I am not asking you to give your legal opinion, which I think would be very foolhardy on your part and put you in an awkward position. I am asking whether the corporation has obtained a legal opinion on that.

Mr Magwood: The matter of scrutinizing and approving the form of the contracts is a matter that has been left to the law firms involved. The stadium corporation, as you know, is represented by Fasken and Calvin, a large and very reputable firm in the city, and the consortium by Tory Tory. With those two firms involved, it is really with them and their people, if you like, to properly review and scrutinize all the documents.

The question that you put, I am certain, is one that has been addressed by them and probably will continue to be looked at in the event that there is some suggestion by third parties that there is a problem with it. The only general comment that I would have to it, and I would rather not address it specifically, is that what we are talking about here is one building and we are talking about an opportunity, a first opportunity, to supply product. That, to me, is like a right of first refusal.

The sections that you deal with, I would not think, would—nor should they—constrain the ability of this project to put together an arrangement and a package of rights such as it has been able to arrange, not only capital for the building of the project but also a very strong support group which has allowed us, I think, to provide a whole lot of security for the future. That is not to say that there are not some people and competitors to the particular consortium members who are not happy with it. There are some that are not happy. There are some that today, if they could do it all over again, may have wanted to change their minds if they had the question put to them, but the fact is that it is September 1989 and we do have firm arrangements with the consortium. On behalf of the whole partnership, everyone will have to do his best to provide the support to it. It has been a good arrangement and it has worked.

1220

The Chairman: Except that those others that you say might change their minds did not, in fact, have an opportunity to participate in the first place, so there was no mind to change, was there?

Mr Ballinger: Says who?

The Chairman: I am asking a question, Mr Ballinger. If you have a question. If you have a question, then I will be happy to allow a supplementary.

Mr Ballinger: Quite frankly, that accusation has been made many times in the committee and everyone seems to be making all kinds of statements about it.

The Chairman: If you would let the witness answer the question without your rude interruptions, I am sure we will get an answer.

Mr J. B. Nixon: Mr Magwood can only testify as to what he has knowledge of.

The Chairman: They did not in fact have an opportunity to participate because they were never invited to participate, were they, some of these other competitors you are talking about?

Mr J. B. Nixon: Wait a second, Mr Chairman. I think Mr Ballinger has a point. The question has been asked before of Mr Magwood. Mr Magwood has appeared before the committee and responded. It is my understanding that Mr Magwood does not have knowledge of these matters, yet you persist at every appearance to try to pursue the matter.

The Chairman: I would ask Mr Magwood if he can answer the question.

Mr Ballinger: I am going to follow up with another point of order. What are you suggesting, Mr Chairman? That the stadium corporation should have been in touch with every company in Ontario?

The Chairman: There is nothing out of order. A question has been asked. If you want to challenge the chair, do so.

Mr J. B. Nixon: Maybe we should.

Mr Ballinger: Maybe we should. I think Mr Magwood's position is, quite frankly, on the record of the previous meeting.

The Chairman: I would like to hear Mr Magwood's position if he would like to answer the question.

Mr Magwood: All right. This question, I think, has been raised before in previous sessions. I am not sure exactly what individual company you are perhaps referring to, Mr Chairman, but in the general sense the structure of this organization and the rights that were given, as mentioned before, is a matter that happened back in late 1984 and early 1985, that frankly was before my time. As I understand it, that arrangement was one that has been carefully considered and approved by all the parties who are involved with it. All that is happening now is an implementation of that basic scheme. I really cannot comment other than that.

If there is a specific case that I was involved with with a competitor, as you have referred to it, then I would be pleased to address that. I am prepared to be completely open, but in the absence of that I cannot really comment. Most of these arrangements did happen, though, before my time. I was not personally present and I cannot comment on it.

The Chairman: In previous testimony, if I may quote you back to

yourself, a number of these companies that are now not so happy with their involvement were talked to at earlier points in time. Historically, these kinds of projects have been very worthwhile for them. The preamble to that is that Pepsi-Cola Canada Ltd was one, for example. Was Pepsi-Cola invited in at the same time as Coca-Cola Ltd or not?

Mr Magwood: I cannot comment, because that is before my time. As I understand it, though, if this is helpful, there were discussions with Pepsi-Cola, if that is who you are referring to, in 1984—

Mr Ballinger: I think we were even in the audience, for crying out loud.

Mr Magwood: That was a year plus before my own involvement with the project and the nature of those discussions, the nature of the invitation to that company, the nature of the rejection by that company, the invitation to the competitor and the securing of those arrangements, those questions really should be addressed to the people who were privy to the discussions, frankly.

The Chairman: Thank you. I have no further questions.

Mr J. B. Nixon: Another fishing expedition that got you nowhere.

The Chairman: I think we got quite a distance.

Mr J. B. Nixon: I will challenge the chair on that comment, then.

The Chairman: What is the challenge to the chair?

Mr J. B. Nixon: I think you are wrong.

The Chairman: Shall the chair be sustained?

Mr Ballinger: What is the challenge?

Mr J. B. Nixon: I think his comment is wrong. I challenge your comment that you think you got very far.

The Chairman: That is not a challenge. The committee is adjourned until two o'clock.

The committee adjourned at 1226.

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